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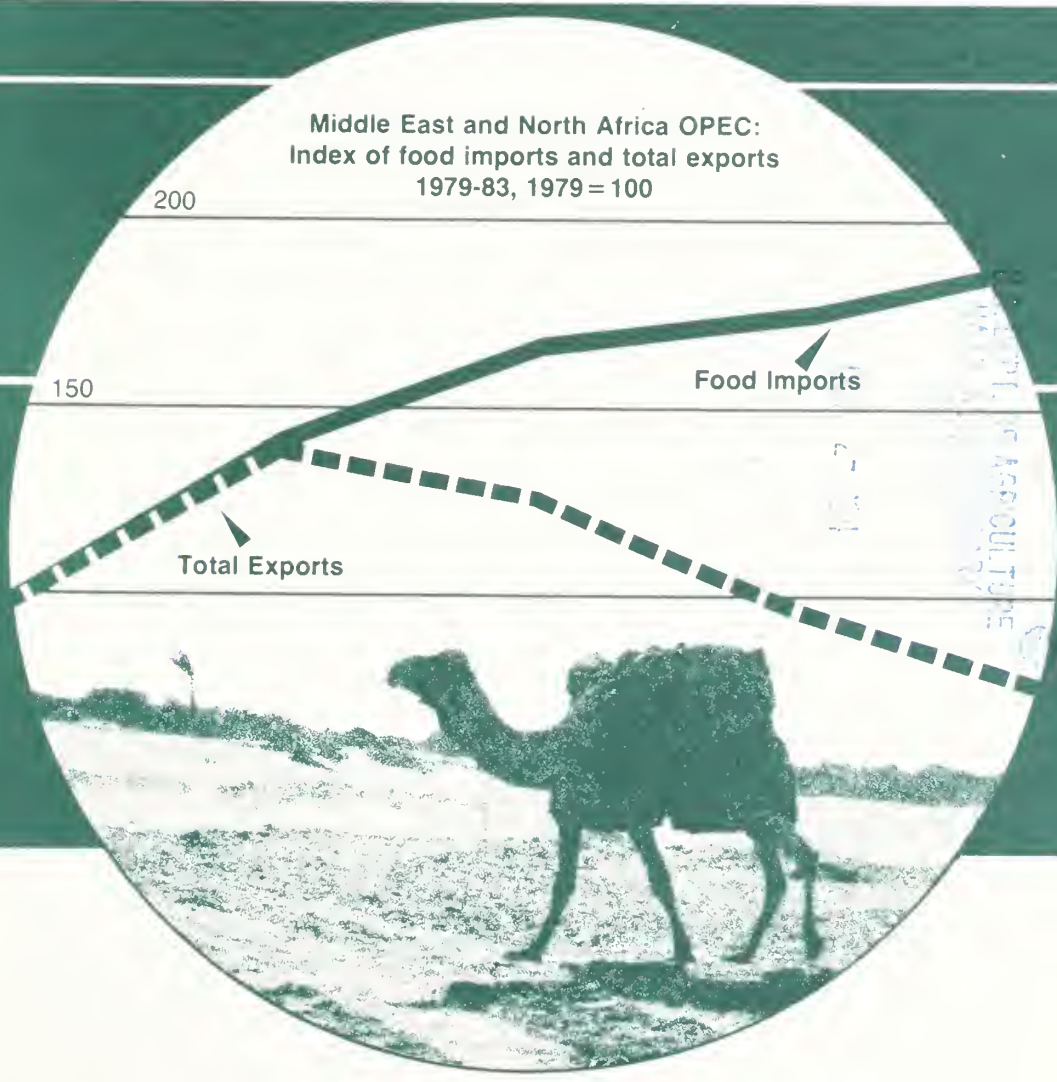
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Middle East and North Africa

Outlook and Situation Report

Food imports still buoyant while export earnings plunge



Contents

Middle East	2
Iran	2
Iraq	4
Israel	5
Jordan	7
Kuwait	8
Lebanon	9
Saudi Arabia	10
Syria	12
Turkey	13
United Arab Emirates	15
Yemen Arab Republic	16
Four Countries on the Arabian Peninsula	16
 North Africa	17
Algeria	17
Egypt	18
Morocco	20
Tunisia	21
 Special Articles	
Subsidies, Deficits, and Debt in North Africa	22
The Food Market in Selected Middle Eastern Countries: Performance and Prospects	25

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Summary

U.S. agricultural exports to the Middle East and North Africa rose 14 percent in 1983 to just over \$3 billion, partly a result of more credit availability. Increased food exports, coupled with declining imports, gave the United States a \$7 billion balance-of-trade surplus. Drought in some of the region's largest producers, particularly Turkey and Morocco, reduced total agricultural production. The region's 1984 production outlook is not likely to improve, and agricultural imports are forecast to be higher than in 1983.

The most dramatic economic changes occurred in the eight Middle Eastern and North African OPEC countries where oil exports—which compose the bulk of their earnings—declined precipitously, while agricultural imports continued to increase. Preliminary estimates indicate a 21 percent fall in total export earnings to \$125 billion, while the value of food imports rose by 8 percent to \$20 billion. However, the rate of increase in the demand for food imports has recently been slowing, and a repeat of the dramatic food import increases of the late 1970's is not likely even if export earnings rise.

The effects of lower oil export earnings varied by country. In Saudi Arabia, revenues declined from \$76 billion in 1982 to \$46 billion in 1983, resulting in budget cuts, curtailed development projects, and lowered financial holdings overseas. Iraq's oil exports were only \$9 billion in 1983 compared with record earnings of \$26 billion in 1980, and the war between Iraq and Iran has significantly strained the economies of both countries. Iraq's foreign reserves have been virtually depleted; its loans from neighboring Arab countries now exceed \$40 billion, with one-fourth coming from Saudi Arabia. Credit thus became a major determinant in Iraq's import decisions; with the increase in U.S. credit availability, Iraq's agricultural imports from the United States rose sharply.

There was a gain in U.S. agricultural exports to many countries in the region: to Iraq up 159 percent to a record \$342 million; to Tunisia up 40 percent to \$114 million; to Morocco up 29 percent to over \$208 million; and to Egypt, up 21 percent, approaching \$1 billion, with credit facilities covering almost 70 percent. The region's total agricultural imports were \$30 billion, with about one-third coming from the United States and the European Community. The rest was shared by Argentina, Australia, Thailand, Brazil, Turkey, Canada, and numerous smaller countries, reflecting the region's efforts to diversify supply sources.

While U.S. agricultural exports rose, total U.S. exports to the region declined 14 percent to \$18.9 billion. American exports to Saudi Arabia alone fell by more than \$1 billion. U.S. imports from the region declined more, however, falling by 28 percent to \$11.4 billion, resulting in a balance-of-trade surplus. As recently as 1980, there was a \$20 billion deficit.

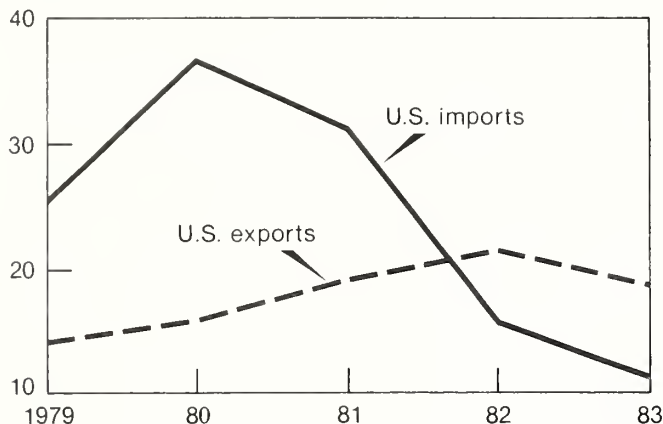
Although these countries are showing more interest in increasing food self-sufficiency and reducing the large dependency on imported food, they have not been very successful. In 1983, the indices of both per capita agricultural and food production for the Middle East declined 3 points to 102 (1969-71=100), with reduced crops in some major producers such as Turkey and Iran. In Turkey, a sharply lower wheat and barley harvest necessitated grain imports of over 1 million tons. Iran's grain imports continued to increase. In Lebanon, food output declined as a result of hostilities and a shift to cash crops. For the second year in a row, Syria's grain output was adversely affected by low rainfall. In Jordan, Iraq, and Israel, production improved. With record producer subsidies for wheat in Saudi Arabia, output doubled. In North Africa, the index of both agricultural and food production dropped. Drought stunted grain crops in both Algeria and Morocco. Production in Egypt remained virtually the same as in 1982.

For 1984, the crop production outlook for many of these countries is not favorable. In Turkey, less than ideal moisture conditions portend a lower grain harvest, although late spring rains will determine the final output. In Iraq, output is not likely to improve as the war continues to take its toll. Egyptian production will barely keep up with population growth. Morocco is suffering from drought, which will lower grain output and sharply increase imports. Israel is suffering its worst drought in three decades, and the damage to field crops is already irreversible.

The region's agricultural imports are forecast to be higher than in 1983, with increasing grain imports in Iran, Egypt, Turkey, Algeria, Morocco, and Tunisia. With the exception of Iran, U.S. agricultural exports to the region are expanding, with credit playing a major role.

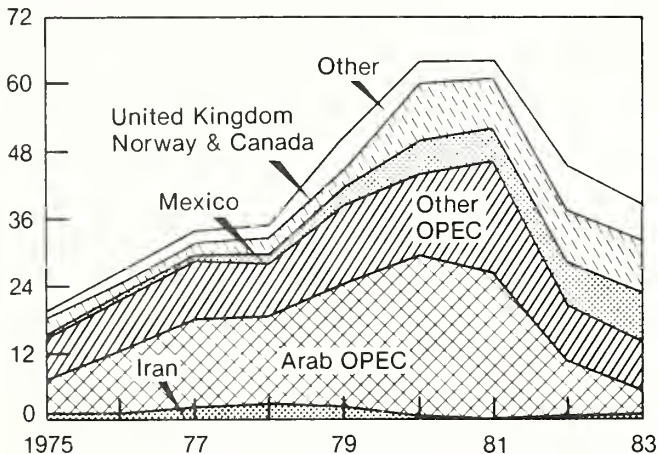
Total U.S. Trade With the Middle East and North Africa

Billion dollars



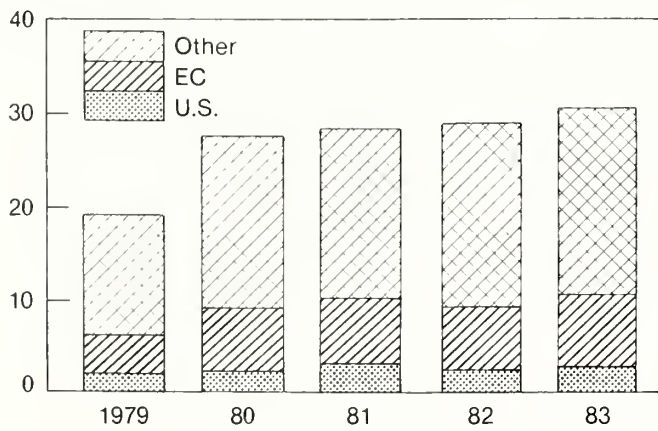
U.S. Imports of Crude Petroleum

Billion dollars



Agricultural Imports by the Middle East and North Africa

Billion dollars



THE MIDDLE EAST

Iran

Economy Improves; Food Shortages Persist

In 1983, Iran continued to expand petroleum exports which rose 18 percent to about \$21 billion and provided funds for the strong upsurge in imports needed for the war and for consumer demand. The export revenue also helped in the revitalization of industry and the rebuilding of some war-torn areas of Khuzistan; it is, however, estimated that industry is still operating at 40 to 60 percent of prerevolutionary levels. Higher revenues also enabled Iran to settle some debts to international banks and to over 40 American corporations. This helped to improve the country's creditworthiness, which has been a problem for imports and foreign technical services. With the help of European and Asian technicians, petroleum output increased to nearly 2.7 million barrels per day (bpd) in late 1983. Japan took about half, at an average price of \$28 per barrel—down from \$31.50 in 1982 and \$36.60 in 1981. Lower prices and new trade initiatives helped Iran send more petroleum to Europe and North America in 1983.

Iran's nominal gross national product (GNP) in 1983 is estimated to have increased 12 percent to about \$50 billion, surpassing the previous peak in 1978. Factories producing consumer goods expanded output, but output by heavy industry remained below the 1978 level. Shortages of consumer and industrial items continued. Stocks of domestic and imported food supplies declined as lower production and war machinery needs reduced available supplies in urban areas.

In 1983, total imports rose to \$20 billion, with increased across-the-board purchases, as the Government attempted to compensate for domestic shortfalls. At the same time, government trade agencies sharply reduced imports from the United States, the Soviet Union, and France, most likely for political reasons. Imports from Japan, Pakistan, Turkey, Argentina, and West Germany rose sharply. In exchange for petroleum, trade agreements were used for larger imports from Eastern Europe and India.

Crop Production Down; Meat Output Slightly Up

Erratic rainfall in the winter and spring of 1982/83 lowered wheat and barley yields. This situation, plus reduced availability of fertilizers, chemicals, and machinery, caused a decline in agricultural production in 1983. Despite a high procurement price for wheat (about \$250 per ton), plus credit from cooperatives, some of the most fertile irrigated land was shifted from wheat to vegetables and alfalfa. Therefore, wheat production for 1983 is estimated at about 5.2 million tons, and barley output fell slightly. Estimating grain production, never easy, has become extremely difficult, but judging from the massive grain imports of the recent past, it is likely that production has stagnated or declined. A drop in production is reflected in the lower government procurement of domestic wheat, which was near 1 million tons in 1977 and 1981, but in 1983 retreated to about 60 per-

cent of that volume (probably because of the declining purchasing power of the rial, transportation problems, and rising open market prices). Rice yields, especially in the Gilan area near the Caspian Sea, remained steady, with milled rice output totalling 840,000 tons in 1983. Shortages caused record increases in imports.

Gains in fruit and vegetable output helped offset lower cereal output. Orchards, planted in the last years of the Shah's rule, are helping to ease fresh produce shortages. Apple output rose to about 500,000 tons. Grape production advanced slightly, to about 1 million tons; and despite strong domestic demand, efforts were made to revive raisin exports. Date production rebounded to about 295,000 tons, and exports became significant again. Pistachio nut production doubled. New orchards, planted in the late 1970's, have become commercially productive, and exports are rising again.

Vegetable production increased to approximately 3 million tons, yet shortages continued, sparking larger imports from Turkey. A considerable area of irrigated land near villages has recently been shifted from cereals, cotton, and sugar to vegetable crops. The other items can be brought in by truck and are available at subsidized prices. Most villages must rely upon local produce for fresh vegetables. Cooperatives have arranged better marketing in cities for potatoes, onions, and tomatoes. Potato output doubled in the late 1970's and advanced steadily through 1983, when output was about 1.2 million tons. Onion output in 1980 was double the 1975 level, but greater imports from Turkey caused growth to slow down in the early 1980's.

The output of livestock products in 1982 was about a third below the 1978 peak. A modest rebound occurred in 1983 as more imported feed grains were distributed to cooperatives. During 1976-78, meat output averaged 733,000 tons. It declined dramatically in 1980, 1981, and 1982. In 1983, meat output is estimated to have increased by 10 percent to 520,000 tons, based on substantial increases in feed grain imports. Nevertheless, per capita meat output in 1983 was only about half the 1977 level. Milk output fell from 2.5 million tons in 1978 to less than 2 million tons annually in 1980-83; egg output during 1980-83 was only about half the peak of 244,000 tons recorded in 1978. A strong rebound is scheduled for both milk and eggs in 1984, again based on larger grain imports.

Food Imports Are Record High

Iran's agricultural imports remained at \$3.9 billion in 1983, nearly double the value in 1979, when Khomeini came to power. Over half of the food supply for urban areas is imported, and the country relies upon imports for about 35 percent of its needs compared with 30 percent under the Shah.

Total grain imports in 1983 reached a record 4.4 million tons, including 2.2 million tons of wheat and flour, 650,000 tons of rice, and 1.55 million tons of feed grains. This total was 9 percent above the 1982 grain imports. Increasing imports was the only answer to the emerging food problems. However, shortages of bread were reported in late 1983 and early 1984 as distribution problems worsened, stocks fell, and open market prices for grain rose.

In 1983, Argentina benefited from the Australian drought and Iran's policy of avoiding U.S. purchases. As a result, Argentine wheat deliveries increased tenfold to 910,000 tons, more than offsetting the 35 percent reduction (to 570,000 tons) in Australian deliveries. Turkey and Pakistan each sent about 150,000 tons. Iran imported 85,000 tons of flour from Turkey and 140,000 tons from Greece and Italy combined. Rice imports increased to about 650,000 tons, including 389,000 tons from Thailand. Burma, Uruguay, and Pakistan were other significant suppliers. In the 1970's, U.S. rice dominated the market. However, consumers still complained about quality and about shortages caused by irregular truck deliveries.

Meat imports increased about 15 percent in 1983 to a record 380,000 tons, but shortages continued. The record imports stemmed from two policy changes: to improve the diets of the masses and to provide rural areas the same subsidized supplies which previously were only available to selected urban areas. Earlier decisions to ban frozen poultry imports were rescinded in 1981, and, in 1983, imports reached a record of over 100,000 tons. Mutton imports rose to about 195,000 tons, including 129,000 tons from New Zealand. Australia and Eastern Europe were other important suppliers. Beef imports from Argentina increased while those from Australia declined. Australia provided most of the imports of live sheep, which exceeded 2 million annually.

Iran has emerged as a key factor in many world trade commodities. It is the best growth market for European Community (EC) cheese, wheat flour, and cigarettes, and it is the second fastest growing market for eggs and poultry meat. Iran's cheese imports probably reached 150,000 tons in 1983, valued at over \$220 million. The Danes supplied nearly half of Iran's cheese imports, making Iran Denmark's top cheese market. The Dutch, French, and East Europeans supplied the rest.

Preserved milk imports more than doubled in 1982 with purchases from France and the Netherlands reaching 38,000 tons. The volume may have risen to 50,000 tons in 1983. Butter imports surpassed 120,000 tons in 1982 with large imports from the EC, Australia, and New Zealand. The growth in dry milk sales is likely to remain high because of increased public distribution of milk to children.

Import Sources Diversified

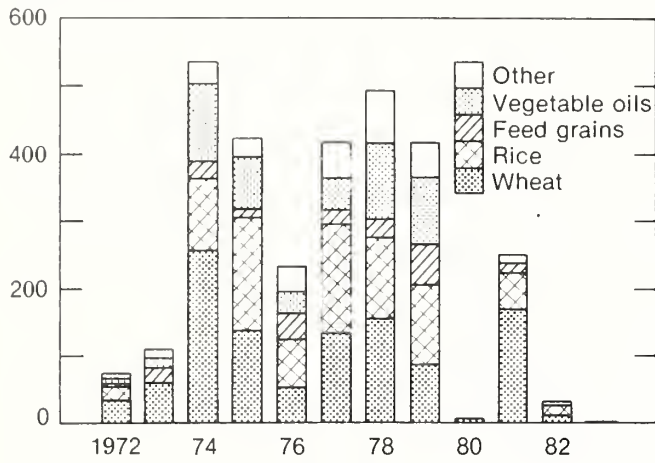
In late 1982, Iran stopped importing wheat directly from the United States as the program to diversify imports was implemented. Government agencies took over most of the food imports not already handled by public agencies like the Iranian Meat Organization. The Government Trading Organization stopped buying virtually all U.S. farm products. Cooperatives and the few remaining private importers purchased some seed and corn in 1983. As a result, U.S. agricultural exports to Iran declined 90 percent in 1982 to only \$30.2 million and tumbled to \$1.2 million in 1983.

1984 Food Imports Will Likely Rise

Iranian grain imports in 1984 are forecast at a record 4.5 million tons, reflecting low stock levels, a setback in 1983 output, and inadequate imports in the past 2 years

U.S. Agricultural Exports to Iran

Million dollars



because of the war and port problems. Flour and wheat imports may be a record 2.5 million tons, with Australian wheat shipments rising to 1.25 million tons and Argentine deliveries remaining at the 1983 level. Imports of Turkish wheat are unlikely because production in that country was lower. Flour deliveries may remain substantial from both Turkey and Greece. Imports of livestock products, especially from the EC, rose in early 1984 because of continued domestic shortages and increased oil revenue. No significant rebound in U.S. food exports are forecast, although U.S. imports of Iranian agricultural products, which doubled in 1983 to \$30 million, may continue to rise. (*John B. Parker*)

Iraq

Financial Strain Causes Credit Search

The endless Iran-Iraq war, plus lower petroleum exports and a rising dependence upon imports for many items, caused Iraq to seek more credit for commodity imports than ever before. The war depleted funds, accumulated before September 1980, and crippled petroleum export delivery systems. As a result, the rate of growth in food imports slowed last autumn, particularly affecting the meat supply. Iraq's nominal GNP rose about 5 percent to approximately \$25 billion. Agriculture now accounts for only 4 percent of the GNP with more than 60 percent of the food supply imported.

Petroleum output in 1983 increased slightly, to nearly 1 million bpd, still only 40 percent of the 1980 output level. Direct petroleum export revenues rose slightly to \$9 billion compared with the more normal level of \$26 billion recorded in 1980. In addition, Iraq received \$2.8 billion from its petroleum exported through Kuwait. The pipeline through Turkey allows Iraq to use fields in the Kirkuk area, but the large reserves south of Basra are not currently used because of the war. Loans from neighboring Arab countries now exceed \$40 billion, with Saudi Arabia holding 25 percent, and much of the rest held by Kuwait and Abu Dhabi. Serious concern has now been expressed about Iraq's creditworthiness.

In 1983, Iraq's total imports increased to about \$20 billion, creating a trade deficit of \$9 billion. Total U.S. exports exceeded \$511 million with farm products accounting for two-thirds. Total exports to Iraq by France, Brazil, and Kuwait were also sharply higher, while deliveries by Turkey declined, affecting overall Turkish export performance.

Agricultural Production Up

In 1983 Iraq's agricultural production rose about 5 percent from the dismal 1982 level, still far below previous levels. The wheat crop was about one-fourth above the poor 1982 harvest of 965,000 tons. The wheat procurement price of \$242 per ton did not elicit a great response among private farmers, who preferred growing vegetables, which are more profitable. Barley output was about 750,000 tons. The war with Iran could cause both wheat and barley output to decline in 1984 as military activity disturbs traditional farming in northeastern Iraq. Tobacco production may be down for the same reason.

Poultry meat output increased moderately to about 70,000 tons in 1983, and imports remained strong at approximately 130,000 tons. Commercial egg output in northern Iraq increased in 1983, but further gains may be difficult despite greater availability of subsidized feed.

Plans to increase domestic meat output by means of increased feed grain imports have not materialized because of management and labor problems. Despite this, red meat output increased slightly because of expanding feedlots in the northern areas.

Agricultural Imports Rising Steadily

The value of agricultural imports in 1983 increased more than 14 percent to a record \$2.9 billion. A good part of the gain was in U.S. exports, which reached \$342 million, virtually all through various types of credit. Iraq's food imports became more diversified, with spectacular gains for purchases of rice, feed grains, soybean meal, beverages, dairy products, fruits, and vegetables. The United States, the EC, Spain, and Eastern Europe all shared in this expansion. Australia and New Zealand remained important suppliers, following striking gains during 1980-82.

In 1983, grain imports reached a record 3.4 million tons—up from 2.9 million tons in 1982 and 2 million tons in 1981. U.S. grain accounted for all of the increase through blended credit. Iraq's wheat imports increased about 8 percent to 2.4 million tons in 1983, and the U.S. share rose from 8 percent in 1982 to nearly 50 percent in 1983. At the same time, Australian deliveries declined from 34 percent to only 22 percent, but a rebound to 1.25 million tons has been indicated for 1984. In 1983, Turkey sent over 120,000 tons of wheat and flour, but this is unlikely to be repeated as Turkey itself is importing grain this year.

Feed grain imports nearly doubled in 1983 with larger deliveries from the United States and the EC. U.S. corn shipments reached a record 57,000 tons, and 122,000 tons of barley were delivered. The pace of feed grain shipments picked up in early 1984, and deliveries from the United States for the year may approach 500,000 tons.

Iraq is likely to import less barley from the EC and Turkey in 1984. U.S. barley deliveries are scheduled to surpass 250,000 tons this year and Canada will be an important supplier also.

Iraqi rice imports rose to about 400,000 tons in 1983 with U.S. shipments up 20 percent to 281,565 tons. Some of the blended credit available in 1983 was not used, and even larger U.S. shipments are expected in 1984. Thailand and Argentina each delivered over 40,000 tons of rice.

In late 1983 meat imports became erratic, after a period of steady supplies during 1980-82. Disputes over timing and payments arose with some suppliers. Brazilian deliveries of frozen poultry in late 1983 were below the 1980-82 average, but their total deliveries for the year were about 88,000 tons. Australia sent less beef and mutton, but New Zealand continued to send over 100,000 tons of mutton per year. Argentine shipments of meat increased. Total meat imports were in the vicinity of 225,000 tons, down about 15 percent from 1982.

Imports of farm products from the EC remained strong in 1983 as the value climbed to about \$600 million. Deliveries of sugar, beef, eggs, dairy products, fruit, and tobacco products rose. Greater use of land transportation spurred sales by France, West Germany, and Greece. The EC share of Iraq's agricultural imports remained at about 20 percent in 1983, while that of the United States rose from 5 percent in 1982 to about 12 percent. Direct shipments of wheat totaled 1.1 million tons valued at \$184 million. This was supplemented by 50,000 tons of U.S. wheat shipped through Canada. Rice was the next major farm commodity valued at \$111 million, followed by barley at \$18 million, and soybean meal at \$14 million. Seed sales rose to \$7.4 million.

Credit Brightens Outlook For U.S. Exports

The outlook for U.S. farm exports to Iraq in 1984 is currently bright because credit has already been approved. However, it depends somewhat on the Gulf War between Iran and Iraq, and the transportation sys-

tem. Blended credit and General Sales Manager (GSM-102) credit facilities should guarantee a shipment with a potential value of over \$400 million: at least 1 million tons of wheat; 300,000 tons of rice; 250,000 tons of barley; and 225,000 tons of corn. Also included are sales of soybean meal for \$28 million, seeds valued at \$10 million, and tobacco for \$20 million. The last would allow Iraq to save on imports of cigarettes, which cost over \$100 million in 1983.

Higher prices in 1984 for cereals, meat, dairy products, tea, tobacco, and fruit may push the value of Iraq's agricultural imports up 15 percent. A rising share of these imports involve financing, mostly from Arab banks in nearby countries. The U.S. share is expected to rise above 1983's. A shift away from high value products to essential items is underway because of efforts to control expenditures and the accumulation of foreign debt. Total grain imports are expected to rise to about 3.7 million tons, with wheat and flour reaching 2.6 million.
(John B. Parker)

Israel

Economic Problems Persist

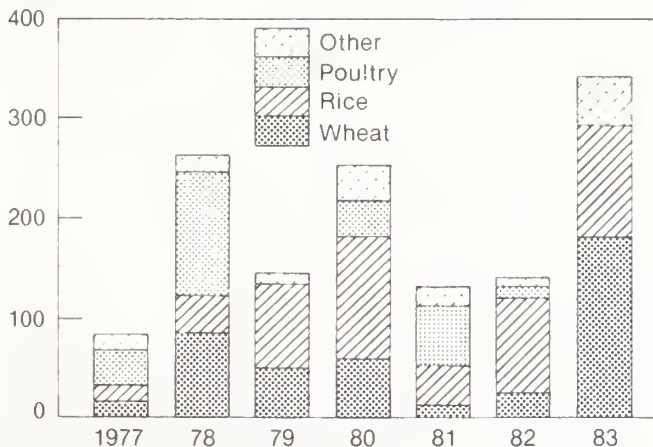
During 1983/84, Israel's economic problems weakened its agricultural sector. A seriously overvalued shekel made Israeli exports less competitive, and export values declined, contributing to a widening balance-of-trade deficit. Triple-digit inflation and rising interest rates reduced farming profitability, especially in the cooperative farming (moshav) movement, despite modest price increases. Recent policies to reduce consumer food subsidies eroded consumer purchasing power, which further affected the agricultural sector. Israel's 1982 and 1983 balance of payments continued to deteriorate at an alarming rate, with the 1983 deficit estimated at \$5.3 billion compared with \$3.9 billion in 1980. This was partly caused by an Israeli Government effort to reduce inflation by means of an artificially high exchange rate. Israel's external debt is estimated at \$23 billion; Israel is currently trying to cut its budget and to reduce inflation and its increasingly negative balance-of-payments deficit. With the latter, Israel has had some success, as exports in the first few months of 1984 have markedly increased.

Agricultural Output Up; Profitability Down

In 1983 agricultural production increased by 4.1 percent in quantitative terms. The principal reasons were a record wheat crop of 335,000 tons; a 50 percent increase in avocado output to 60,000 tons, as new plantations reached fruition; and an increase in poultry and dairy output because of increasing subsidies. On the other hand, there was a steep decline in the 1982/83 citrus output, accentuated by poor quality as well as low returns to farmers. Average producer prices decreased by 1 percent, following a 6 percent drop in 1982. There were exceptions: Vegetable prices increased by 29 percent and meat by 6 percent. However, cost of production was reduced by an average 4.2 percent. The only items with price increases were water and packaging materials. In general, there was a 10 percent increase of gross income

U.S. Agricultural Exports to Iraq

Million dollars



from agriculture, although high interest payments and the constant depreciation of the shekel reduced farm income.

The 1983/84 citrus crop, while smaller than last year's, has been of better quality, and greater quantities were exported than last year. Producers are also enjoying the advantages of the more rapid devaluation of the shekel, since most of their expenses were allocated earlier in the year when the shekel was overvalued. On the other hand, export prices for grapefruits are very low, and it is feared that most of the crop will be sold at a loss.

Avocado is rapidly becoming one of Israel's prominent export crops, with France the principal market. However, as the amounts sold increase, market activities in other countries, such as the United Kingdom, West Germany, and Scandinavia, are becoming more important. Another crop gaining importance as an export is persimmons, with 1983 exports estimated at 1,200 tons with an \$800 per ton price, f.o.b. Current output is about 5,000 tons. However, increased export demand is likely to encourage further production expansion. The Israelis are also developing various new fruit varieties with export potential such as macadamia nuts, feijoa, carambola, kiwifruit, and lychee. The target for these products is central and western Europe.

The 1982 cotton crop proved to be larger than expected at nearly 94,000 tons, and the 1983 crop is estimated at 80,000 tons. The combination of the two has increased export prospects for 1983/84 to 80,000 tons. The 1984 plantings will depend to some degree upon the availability of water for irrigation. Currently farmers are enjoying a good income from increased yields as well as improved world prices, but increased irrigation costs and a possibly falling world price may reduce acreage. The trend of yield increases, already at a world record, is expected to continue.

The number of animals slaughtered in 1983 declined as the economic conditions worsened during the latter half of the year, and a larger herd size is the result. Farmers continue to demand curbs on beef imports in order to improve their market conditions. In the poultry sector, overproduction in 1983 resulted in larger than usual carryover. The large stocks increased market pressures with consequent price drops and increased consumption. Consumption should decline in 1984 as stocks are lowered along with relatively steep local price increases. Feed grain imports are not likely to be affected, because of reduced local fodder and feed production.

Policy Changes Wreak Havoc On Agriculture

Agricultural profitability has become a major problem, and as it continues to decline, the outlook for the farming community becomes somewhat clouded. The heavy dependence on exports creates a direct link between the Government's general monetary policies and farming profitability. As the export market becomes less profitable and sometimes a losing proposition, farmers become more disillusioned about the Government's role in resolving their problems. Until recently, no efforts were made to sustain the weakening moshav movement. Often, their members have been urged to seek urban employment. As

a result, Israel's moshav movement is in the grip of a severe financial crisis, with 2 settlements already bankrupt and, as of the end of 1983, another 10 on the verge of bankruptcy. The Ministry of Agriculture, which channels a large part of its budget towards establishing and developing settlements in the Occupied Areas, has been unable to help ailing farms and has had difficulty obtaining funds from the Treasury. The Ministry is working on a plan to reduce the number of farms and farmers in the country. The latter, who make up 4.1 percent of Israel's population, are considered too many to efficiently produce the country's food and enable it to effectively compete in increasingly competitive export markets. The moshav movement itself has agreed to allow farmers to reduce their exclusive dependence on agriculture and establish suitable industries. The kibbutz (collective) movement did this years ago and derives much of its income from industrial pursuits.

During the first 8 months of 1983, consumer subsidies for basic food items such as poultry, dairy, soybean oil, and certain breads rose as the monthly retail price increases were kept below the inflation rate. As the Government proceeded to reduce subsidies, especially toward the latter half of the year, retail prices increased rapidly, substantially reducing the buying power of most Israelis.

U.S. Agricultural Exports Decline

U.S. agricultural exports to Israel for 1983 declined by 13 percent to \$307 million, led by a one-third drop in the value and volume of wheat imports (\$61 million and 392,196 tons, respectively). Feed grain exports neared 840,000 tons, slightly above 1982 shipments. The value of soybeans exports declined by 13 percent to \$109 million, but volume declined by only 4 percent to 477,000 tons. Soybeans and grains compose over 91 percent of U.S. agricultural exports to Israel; the expansion opportunities for exports are limited. Israel's population is growing at under 2 percent, and per capita consumption is not likely to increase.

U.S. agricultural imports from Israel totaled \$50.5 million in 1983, up 4 percent from the previous year. Over half are fresh and prepared vegetables, primarily tomato paste and sauces. Israel and the United States are currently negotiating a free trade agreement, and Israel hopes to increase and diversify its exports to the United States, while diminishing the impact of increased competition in the European market. The potential accession of Spain and Portugal to the EC could reduce Israel's export potential. Spain and Portugal produce items similar to Israel's; unless new arrangements are made in advance, their status as full members will enable them to considerably encroach on Israel's chief markets, Germany, the United Kingdom, the Low Countries, and Scandinavia.

Drought Devastates 1984 Outlook

Israel is experiencing one of the worst droughts recorded in its history. Lake Kinneret, which provides one-fourth of the Nation's water supply, is already more than 5 feet below normal for this time of year. Israel's water sources have been taxed beyond their limit, and this drought will certainly reduce water allocations. In addi-

tion, because of the low water table, there has been some sea water intrusion into the coastal aquifer, threatening some citrus and avocado plantations. While it is difficult to quantify the damage, a sharp decline in field crop production will occur. Even if more rain falls during the end of the season, the damage to field crops and pastures is already irreversible. Feed grain imports will therefore increase.

Under the current economic climate, the average Israeli's disposable income will decline in 1984. The effect on food consumption should be lower demand for expensive livestock products. The planned removal of part of the subsidies, now given for many basic food items, will accentuate this decline. The sharply increasing costs of financing production, which are closely linked to the inflation, should influence 1984 output. Under these changing circumstances, short-term forecasting is difficult. However, it is already apparent that poultry, turkey, and, probably, eggs will be in surplus again, as reduced consumer subsidies increase the retail price of these items.

Israel's exports are expected to increase, at least through 1984, while there might be a slight drop in imports. These will depend largely on commodity prices, as the bulk of the agricultural imports are not very price-elastic. On the other hand, imports of consumer goods should fall. The current economic situation, however, has many imponderables that create great uncertainty about future developments, and that in itself is an unsettling factor. (*Michael E. Kurtzig*)

Jordan

Growth Rates of Recent Years Reduced

A levelling off of expatriate remittances and a decline in Arab aid contributed to an economic slowdown in Jordan in 1983. The gross domestic product (GDP) was \$5.1 billion, reflecting a real growth rate of 4 percent, below recent annual rates of 6-8 percent. Industrial and mining activities, providing 18 percent of GDP, decelerated as demand for phosphate, the major export, slackened. Export demand for detergents, soaps, and cigarettes also fell. After its dismal performance in 1982, the agricultural sector, providing 7 percent of GDP, recovered because of favorable weather. Construction slowed after the building boom of the 1970's. The trade deficit rose 10 percent to \$2.5 billion as imports continued to escalate. The balance-of-payments deficit deteriorated further to \$200 million.

Agricultural Performance Improves

Less than 6 percent of Jordan's land is cultivable, and, of this, 90 percent is devoted to dryland farming, subject to wide fluctuations in rainfall. With excellent weather in 1983, grain production expanded considerably over the 1982 drought-reduced output. Wheat output was 120,000 tons, double the previous year's crop; barley output rose 150 percent to 50,000 tons; and lentil and chickpea production were higher at 12,000 tons and 2,000 tons respectively. The Government offered high producer prices for several major field crops, paying farmers \$252-\$335 per ton of wheat, a range considerably above world prices. The Government purchased about 35,000 tons of wheat

compared with only 4,000 tons in the drought year of 1982. High prices were also paid for lentils (\$470-\$504 per ton) and chickpeas (\$454-\$476 per ton).

Horticulture, mainly in the Jordan Valley, has become an increasingly important agricultural subsector. The use of drip irrigation, plastic greenhouses, and increased fertilizer has bolstered fruit and vegetable production. Fruit production expanded 10 percent in 1983 to 145,000 tons. Output of citrus, the leading farm export, was 50,000 tons, including oranges, limes, and tangerines. About 50,000 tons of melons and 28,000 tons of grapes were produced. Output of tomatoes, the second largest farm export, was 210,000 tons, up 10 percent from the frost-damaged crop of 1982. Eggplant, cucumber, and cauliflower crops were all higher. Olive output was down slightly, at 30,000 tons, as yields declined. Olives are the primary local source of vegetable oil, and about 75 percent of the crop is crushed. To increase local vegetable oil output, the Government is engaged in a campaign to expand olive acreage in the highlands. Assistance is given to farmers for bringing marginal land into production and for terracing.

Heavy Dependence on Food Imports Persists

Because of agricultural sector limitations, Jordan imports about 65 percent of its food supply. Agricultural imports were an estimated \$550 million in 1983, including wheat and flour, corn, rice, sugar, and meat. The Ministry of Supply, the agency responsible for staple food imports, provides consumer subsidies on a number of items, most notably bread. Wheat and flour imports were an estimated 340,000 tons in 1983. The United States supplied 306,000 tons of wheat, while the remainder came from grants of food aid from the United Nations Relief Works Administration (UNRWA), the World Food Program (WFP), and West Germany. Most of the wheat aid was targeted at Palestinian refugees. About 155,000 tons of corn were imported, including 61,000 tons from the United States and 35,000 from Brazil. Rice imports were 40,000 tons, mainly from Spain and the United States.

In 1983, Jordan imported 8,000 tons of oilseeds—mainly sesame, 10,000 tons of fats and oils, and 450,000 tons of oilcake and meal. The United States supplied 28,000 tons of soybean oil worth \$7 million. Sugar imports were 95,000 tons from France, Belgium, and the United States. Jordan's entire sugar supply is imported.

Fruit and Vegetable Exports Steady

Specializing in off-season winter produce, Jordan is an important regional supplier of fruits and vegetables. About 40,000 tons of citrus, valued at \$7 million, were shipped to neighboring Arab countries in 1983. In addition, approximately 7,000 tons of melons and 7,000 tons of grapes were exported, as well as 120,000 tons of tomatoes and large quantities of cucumbers, eggplant, and squash. With an increase in the number of egg-producing farms, Jordan has become a sizable egg exporter, chiefly to Iraq under bilateral agreements. During 1982/83, 65 million eggs worth \$6 million were shipped to Iraq. Jordan, an important transit point in the region, reexported about 20,000 tons of wheat and 20,000 tons of corn.

Outlook for U.S. Sales Dependent on Prices

U.S. farm exports to Jordan expanded from \$73 million in 1982 to \$79 million in 1983. Large increases in wheat and soybean meal sales more than offset declines in corn and rice shipments. While Jordan requires large grain imports annually, its deteriorating trade balance and declining foreign reserves have made the Government more price conscious. As a result, in order for the United States to maintain its share of the Jordanian grain and oilseed product market, it must offer prices that are competitive with other suppliers. (*Susan Buchanan*)

Kuwait

Economy and Petroleum Output Rebound

Kuwait's petroleum output, which declined from 1.4 million bpd in 1981 to only 663,000 in 1982, rebounded to about 950,000 bpd in 1983, still below the 1.05 million bpd Organization of Petroleum Exporting Countries (OPEC) allocation. Kuwaiti planners now feel that they have done more than their share to curtail petroleum extraction to prevent a further slide in OPEC petroleum prices. As a result, Kuwait oil exports rebounded by 32 percent in 1983 to about \$13 billion, despite lower prices. Total imports in 1983 were about 12 percent above the \$8 billion recorded in 1982. This excludes cargo for Iraq moving through the port of Shuiaba and deliveries to transit ports for private traders.

Concern about the financial abuses which led to the 1982 crash of the Al Manakh stock market had a profound impact upon Kuwaiti society, leading to increased petroleum revenues and a more cautious approach to government spending. Kuwaiti business firms have turned to Iraq as their best foreign customer for goods and services, while expectations for profitable business ventures in other Persian Gulf countries have faded. About 20 percent of Kuwait's GNP of \$21 billion in 1983 came from foreign investments; less than 0.5 percent came from agriculture. Fishing has been more important in the past, but the oil slick in the Persian Gulf, caused by the Iranian oil spill, threatens some of Kuwait's shrimp industry. Financial conditions in other countries affect Kuwait's national income much more than its own fishing and farming income.

Food Imports Up; U.S. Share Rises

Kuwait imports 91 percent of its food supply which in 1983 increased about 10 percent to \$1.6 billion. Efforts to increase food stocks, further improvement in the average diet, and agribusiness ventures (sending supplies to Iraq) contributed to the rise. U.S. agricultural exports to Kuwait increased 89 percent to a record \$69 million. U.S. grain shipments included 101,280 tons of wheat, 25,613 tons of rice, and 24,000 tons of feed grains. U.S. sales of soybeans, rice, apples, pears, and processed foods also increased.

The demand for Kuwait's agricultural imports comes from four different types of buyers: The Kuwait Supply Company has the dominant role for imports of wheat, rice, feed grains, cooking oil, sugar, lentils, tomato paste, and several other subsidized items; the Union of

Cooperatives operates a large chain of grocery stores; private importers distribute food inside Kuwait; and a fourth group specializes in transit trade to other countries. Private importers are still active as wholesale distributors to thousands of small food and snack shops catering to foreign workers and young Kuwaitis. Business with Saudi Arabia has diminished as Saudi subsidies have encouraged new food wholesale firms to flourish there. Business with Iran is down sharply because of politics, but deliveries to Iraq soared in the last 2 years.

EC agricultural exports to Kuwait in 1983 were about 20 percent above the \$234 million recorded in 1982. EC sales of milk, cheese, sugar, and frozen poultry are expanding. Imports of all livestock and products accounted for about half of all agricultural imports by Kuwait in 1983. Meat imports reached \$300 million, and an extra \$225 million was spent on imports of live animals. Imports of dairy products and eggs exceeded \$100 million. The EC and Australia dominate this market; the United States is generally not very active. Yet, U.S. sales of chicken parts have remained strong. At certain times Kuwaiti importers, finding the price of U.S. eggs attractive, have made surprisingly large purchases. This was not the case in 1983 when Dutch prices were more appealing.

Kuwait's agricultural exports reached \$120 million in 1982, nearly double the 1978 value. Most of this trade was in items prepared from imported supplies and small orders of previously imported processed foods. Soft drinks, candy, tobacco products, animal feed, and bakery items are Kuwait's major agricultural exports.

Agribusiness Emphasized

Emphasis on local agribusiness rose in recent years because of the relatively low food stocks and rumors of possible disruptions in sea transportation. European and U.S. teams were invited to provide technical assistance for agricultural projects. In 1983, greater use of greenhouses helped Kuwait expand tomato, cucumber, and melon output. Tomato output on small farms in irrigated fields also expanded, raising total production to about 30,000 tons. Yet, there were tomato shortages in the winter months and tomato quality was poor. Cucumber production continues to expand, reaching 12,000 tons. Output of canteloupes and sweet melons rose to about 10,000 tons, although large imports of Saudi watermelons have tended to reduce the incentive for local output. Alfalfa has become an important crop for irrigated areas (near Aliwalla in the north) and commercial dairies. Dairies expanded slightly with greater use of imported feed. Local output of poultry meat rose to about 20,000 tons and domestic egg production was about 22,000 tons. Subsidies covered about half of the feed costs for livestock ventures.

1984 Food Imports To Increase

Rising demand and efforts to build stocks, plus wider distribution of income and consumer subsidies, will cause Kuwait's agricultural imports in 1984 to rise about 7 percent to \$1.7 billion; its grain imports may approach 1 million tons. Australia will return as a strong U.S. competitor for wheat sales. Thailand will remain a lower-priced competitor for rice. U.S. sales of apples and pears may rise sharply as EC competition slackens, and U.S.

sales of soybeans and feed grains should rise. These gains, plus further gains in sales of vegetable oils and horticultural products, should push the value of U.S. agricultural exports to \$100 million. (*John B. Parker*)

Lebanon

War Devastates Economy

In 1983, bombings of Lebanese cities damaged factories, while military incursions and tight security in the countryside caused declines in agricultural output. Transit trade and reexport activities, once sizable, suffered. Food and fuel shortages and electrical blackouts were persistent problems. While the Lebanese Government has not reported any economic data in several years, the country's GDP in 1983 is estimated at \$4.3 billion, reflecting a 10 percent GDP decline and a 20 percent inflation rate.

In 1983, the merchandise trade deficit increased 7 percent to \$3 billion as imports, particularly of machinery, expanded, while exports declined. Bans by several Arab countries on Lebanese farm produce (believed to be of Israeli origin) hurt exports. The balance of payments shifted from a small surplus in 1982 to a slight deficit in 1983. Transfer payments from Lebanese working abroad dropped and receipts of investment funds fell. Over \$2 billion in reconstruction funds from the Arab oil nations and the World Bank has been withheld until the military conflict subsides. In 1983, there were more than 80,000 war-displaced people requiring special economic assistance.

Military Situation Affects Farm Output

Despite timely rainfall, grain production was below trend for the second year. The decline in output resulted from hostilities in the Bekaa Valley and the continuing shift of land to cash crops. Wheat output was 15,000 tons, the same as 1982's and less than half the output of the late 1970's. Barley production was 8,000 tons, marginally above 1982's. Total output of beans, lentils, and chickpeas was slightly reduced to 9,000 tons. The olive crop declined 30 percent to 45,000 tons.

Apple production, mainly in the Bekaa Valley and Mount Lebanon, dropped 10 percent to 235,000 tons. Fertilizing and pruning activities were hampered because of military skirmishes. A 13-percent drop in citrus production—mainly in south Lebanon—occurred because of the Israeli occupation and spring hailstorms. About 200,000 tons of oranges were harvested, down 10 percent from 1982. Military tensions in the south were responsible for another low tobacco crop, about 4,500 tons.

Grain and Fruit Production Encouraged

The Government, through its Cereals and Sugarbeets Office (CSO), has a producer price support system to encourage grain output. The agency pays farmers \$240-\$290 per ton of wheat and then sells the wheat to commercial mills at \$125 per ton. However, in 1983 and for several preceding years, the Government did not procure any of the wheat crop because of military disruptions. The CSO also distributes subsidized barley and wheat

seeds to producers, although this function has been curtailed in recent years.

To increase fruit production in the face of numerous constraints, the Government announced, in 1983, that \$11 million was available for 3 percent loans to apple and citrus producers. Credit of \$370 per hectare of citrus trees was offered and loans were extended for apple refrigeration. Tobacco prices were raised for the sixth year in a row, ranging from \$2,850 to \$3,920 per ton. A 35-percent bonus was given to dryland producers, while a 25-percent price reduction was given to irrigated farmers. In 1983, the State Tobacco Monopoly purchased 4,100 tons of tobacco from the 1982 crop.

Wheat Imports Down Because of Large Stocks

Over 85 percent of Lebanon's grain, red meat, sugar, oilseeds, and rice are imported. In 1983, farm imports were estimated at \$600 million. About 215,000 tons of wheat and flour were purchased in 1983, down from 360,000 in 1982. Large carryover stocks and a shortage of silo storage explain the decline. U.S. exports of wheat and flour expanded from 52,000 tons in 1982 to 79,000 in 1983; EC shipments were about 120,000 tons. Lebanon's bilateral agreement with Canada to purchase 150,000 tons of wheat was suspended in 1983.

Since the late 1970's, feed grain imports have fallen 50 percent while soybean and soy product imports are down 40 percent. Demand for these items slumped as Lebanese feed transshipments to Arab neighbors declined. In 1983, corn imports were 150,000 tons, up 10 percent from the previous year. The bulk of the corn was from the United States. Barley imports were 20,000 tons from Turkey. About 25,000 tons of soybeans and 20,000 tons of soybean meal were imported, principally from the United States. Total U.S. farm sales to Lebanon expanded 4 percent to \$55 million in 1983.

Israel has emerged as an important supplier in the Lebanese market, shipping over \$95 million worth of vegetables, poultry meat, and other farm products in 1983.

Lebanon: Agricultural imports by value, 1979-83

Commodity	1979	1980	1981	1982	1983
<i>Million dollars</i>					
Wheat and flour	57	61	84	63	45
Corn	31	45	32	14	19
Rice	8	11	11	12	13
Pulses	24	31	37	37	35
Vegetable oils	7	12	12	12	12
Potatoes	18	26	30	30	31
Sugar	25	58	59	49	46
Coffee	23	36	46	48	48
Live animals	32	36	49	49	54
Red meat	38	46	49	50	48
Dairy products	52	62	66	59	61
Other	185	186	210	197	188
Total	500	610	685	620	600

SOURCES: FAO Trade Runs and USDA/ERS. Most of the data from FAO and ERS are estimated. The Government of Lebanon has not reported any trade data since 1975.

Control of the major roads in southern Lebanon gave Israel access to the large Beirut market.

Apple and Citrus Exports Decline

Agricultural exports were valued at \$190 million, and accounted for over 15 percent of the country's total exports. Apple exports in 1983 declined marginally to 69,000 tons with Jordan, Saudi Arabia, Egypt, and Syria the major destinations. In November, the Government signed a bilateral agreement with Egypt to ship \$5 million of apples in 1984. Citrus exports fell 15 percent to 120,000 tons, sold mostly to Arab neighbors. The drop in sales resulted from a Saudi ban on Lebanese citrus and a decline in Syrian purchases. Greater competition in Arab markets from Turkey, Cyprus, Morocco, and France has hurt Lebanese exports of citrus and apples. In 1983, the Government allocated \$9 million to export subsidies for apples, citrus, and eggs. Other exports in 1983 included about 3,500 tons of leaf tobacco, 5,000 tons of soybean meal, and 2,000 tons of vegetable oil.

U.S. Exports Unlikely To Rebound

Given the war in Lebanon, the outlook for increasing U.S. farm sales to an earlier level of \$100 million a year is not encouraging on a short-term basis. The closing of the Beirut-Damascus Highway has severely hindered reexports of feed grains and oilseed products. However, the possible abrogation of the wheat agreement with Canada provides a chance for the United States to increase its wheat sales. (*Susan Buchanan*)

Saudi Arabia

Budget Deficit Clouds Economic Outlook

The first Saudi Arabian budget deficit in decades has changed the outlook for Government spending in 1984. As the financial leader of OPEC, Saudi Arabia has suffered from problems related to the Mideast fighting and declining petroleum prices. The burden of achieving OPEC's objective, to hold petroleum output at about 17.5 million bpd, fell on Saudi Arabia; in 1983, its petroleum output averaged 4.7 million bpd, down from 9.6 million in 1982. As a result, exports earnings fell from \$76 billion in 1982 to about \$46 billion in 1983. At the same time, Saudi imports rose from \$35 billion to nearly \$50 billion. Financial reserves and foreign investments in excess of \$175 billion helped cope with the budget deficit of \$10 billion and the first trade deficit in decades. The budget deficit probably could have been averted if urgent financial help for Iraq and other Mideastern countries had not been provided. Concern about the deficit caused a 10 percent cut in the employment of foreigners in all publicly funded projects. The deficit also caused officials to look closer at subsidies, particularly those for public utilities and imported feed. However, expenditures for projects to establish petrochemical industries, trading firms, pipelines, factories for consumer goods, and agribusiness were generally immune to budget slashing.

In 1983, Saudi Arabia's nominal GNP declined about 9 percent to approximately \$121 billion. This was a favorable showing in view of the sharp reduction in petroleum exports. Industrial output increased markedly with larger output of petroleum byproducts, processed foods,

beverages, plastic products, and cooking oil. Agricultural investment increased, creating more new jobs than in construction, where a considerable part of the reduced economic activity was recorded. Commerce and services continued to expand. Strong competition between business firms and an influx of American and European companies kept inflation below 4 percent.

Saudi economic policy has been to encourage free enterprise, foreign investment in business, and investments in other countries; its goal has been the bolstering of income and standard of living. Efforts to reduce dependence on petroleum include many new projects to develop certain industries. For example, fertilizer and sulfur exports from Jubail reached 2 million tons in 1983.

Production Up 15 Percent as Wheat Output Doubles

Wheat output doubled to almost 700,000 tons in 1983, in response to a procurement price of \$28 per bushel. Commercial growers used an array of imported technology to greatly expand the irrigated area planted in wheat. Government procurement rose to about 670,000 tons, and debates arose about continuing the world's highest farm price for wheat. Some farmers in the Qassim area were able to gross over \$2,000 per acre from wheat. The response to wheat appears to have crowded out expansion of feed grains and some vegetables. Millet output has tumbled as farmers in Tihama switched to wheat. Sorghum output remained at about 120,000 tons. Onion output fell from 91,000 tons in 1980 to only 11,000 tons in 1982 and little recovery was reported in 1983. The sharp reduction in onion prices followed the larger imports of cheaper onions from Turkey and Jordan, as more land was shifted to wheat. Tomato production grew rapidly in the late 1970's but profits from wheat slowed the expansion. Saudi Arabia now produces over 600,000 tons of melons, 400,000 tons of tomatoes, and 100,000 tons of squash, eggplant, and cucumbers. Production of lettuce, cabbage, and some other vegetables grown during the winter increased, partly because of strong demand from foreign workers.

In recent years, egg output increased markedly to about 60,000 tons, and imports fell sharply to only 14,000 tons in 1983. Saudi Arabia is nearly 80 percent self-sufficient in eggs. Poultry meat output advanced at a slower pace to about 75,000 tons, providing about one-fourth of local requirements. Live animal imports increased 11 percent in 1983, with strong gains from Turkey. Local output of red meat, mostly derived from imported animals, surpassed 100,000 tons.

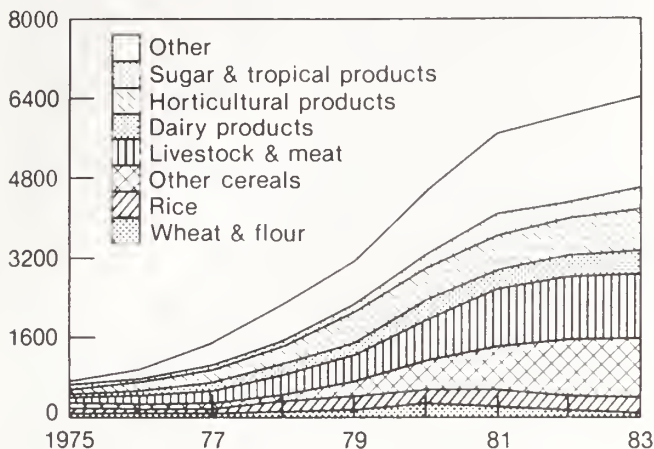
Agricultural Imports Stabilize

The value of Saudi agricultural imports increased about 6 percent in 1983 to \$6.4 billion, compared with 43 percent in 1980. More than three-fourths of its food is imported. During 1981-83 the EC provided about one-fourth. A considerable part of U.S. farm products arriving in Saudi Arabia during 1981-83 went through other countries for assembly or processing. For example, U.S. barley was sent in bulk to Belgium and Singapore for bagging before it was shipped to Saudi Arabia.

Saudi imports of cereals and cereal products declined about 13 percent to 5.6 million tons in 1983—from a

Saudi Arabia's Agricultural Imports

Million dollars



peak of 6.4 million tons in 1982. In 1982, Saudi Arabia imported about 91 percent of its grain supply, but a larger wheat harvest and smaller barley imports reduced import dependence to about 87 percent in 1983. The sharp increase in feed grain imports in the early 1980's, as compared with earlier periods, is due to a number of factors: First, producer subsidies for feedlot operators covered about 70 percent of the cost of imported barley; second, programs to expand local output of meat, milk, and eggs bolstered demand for imported feed; third, the \$90 per ton export rebate for barley given by the EC and the planned reduction of this subsidy, plus Saudi import subsidies, spurred Saudi Arabia to increase its stocks; and fourth, the feed grain output did not expand since the best land was used for wheat or vegetables.

In 1983 Saudi Arabia's wheat imports declined nearly 50 percent to 400,000 tons, which included only 200,000 tons from the United States and 75,000 tons from Australia. Flour imports retreated slightly. U.S. deliveries fell 60 percent to only 64,352 tons. Sales of U.S. wheat and flour fell to \$75 million, down 21 percent from 1982. Saudi barley imports reached a record 3.9 million tons in 1982, including 2 million tons from the EC, 1.2 million from Australia, and 444,000 tons from the United States. Stocks were built up in 1982 when prices were low, and concern mounted that the elaborate feed subsidies might be altered.

U.S. agricultural exports to Saudi Arabia (including shipments through Canada) declined from \$500 million in 1982 to \$446 million in 1983. The decline was scattered throughout the commodity list. Exceptions included larger sales of apples, pears, canned and dried fruit, corn oil, dairy products, and candy. U.S. rice shipments declined 11 percent to \$146 million for 281,000 tons.

Vegetable oils were the United States' third major farm export to Saudi Arabia valued at \$40.6 million—up 50 percent. The volume rose 95 percent as a shortage of palm oil resulted in increased corn and sunflower oil imports. U.S. exports of peanut butter to Saudi Arabia in 1983 were down 73 percent to only 757 tons, as European competition intensified.

Saudi Arabia has become a large importer of a number of

high value food products in which the U.S. share is very small and declining because of higher U.S. prices and greater willingness of competitors to service small orders. For example, imports of canned vegetables increased about 10 percent to 130,000 tons valued at about \$100 million in 1983. Taiwan, Spain, Greece, Italy, South Korea, and China provided most of the increase. At the same time, U.S. exports of vegetables and preparations to this market declined 21 percent to 20,000 tons valued at \$25 million. Beef imports increased 10 percent to about 58,000 tons, mostly from Australia, the United States, the EC, and Argentina. U.S. shipments declined 7 percent to 4,400 tons while Argentine deliveries more than doubled. Most of Saudi Arabia's 33,000 tons of mutton imports came from Australia and New Zealand; only 2 percent came from the United States.

Saudi imports of frozen poultry advanced about 11 percent in 1983 to approximately 237,000 tons, valued at \$285 million. France provided nearly half, Brazil 30 percent, and the United States only 2 percent. Rising beef and mutton prices caused chicken meat demand to rise. Imports of dairy rose about 12 percent to \$440 million, with less than 1 percent from the United States and over 70 percent from the EC. Imports of preserved milk, blended with local milk to prepare reconstituted milk, remained above 114,000 tons, valued at over \$215 million, 96 percent from the EC. Australian cheese deliveries increased 71 percent in 1982 and remained strong in 1983. The EC cheese sales advanced 8 percent to 16,719 tons in 1982, when it had 38 percent of the market.

Fruit drink and juice imports remained at about 205,000 tons, valued at \$165 million annually during 1981-83, with 53 percent coming from Japan. U.S. fruit juice exports to Saudi Arabia fell 3 percent to \$7.7 million in 1983.

Imports of bakery products remained near the 1982 level of 30,000 tons despite the opening of many new small bakeries. The EC provided nearly half of the imported bakery products; the United States and Turkey each provided over 10 percent. U.S. exports declined 23 percent in 1983 to \$12 million, but Saudi Arabia remained the top U.S. market for pancake mix and frozen pies.

Subsidies Spur Agricultural Exports

Elaborate subsidies for agribusiness in 1983 allowed Saudi Arabia to boost agricultural exports about 33 percent to \$120 million. However, it is estimated that the subsidies expended for agribusiness are as great as the earnings derived from actual exports; therefore, questions of costs concerning these activities have arisen. However, in the long run Saudi Arabia hopes that economies of scale will make agribusiness industries more viable. The huge increase in soft drink exports (from three new bottling plants) to the Yemen Arab Republic realized this hope. Saudi Arabia is also beginning to make small exports of melons, grapes, and winter vegetables beyond the traditional markets in the Gulf. Melon exports exceeded \$20 million in 1983.

U.S. Sales Likely To Rebound

Prospects for increasing U.S. farm sales to Saudi Arabia in 1984 appear good because of expected gains for ship-

ments of feed grains, vegetable oils, and apples. Adverse weather reduced the EC supplies for export and Turkey has made large sales to other Mideastern markets. Shipping of U.S. fruit to Saudi ports has improved as the volume of business has expanded to over 30,000 tons annually. With the EC barley shipments at only 400,000 tons, strong gains for U.S. barley are expected, although these may not appear as direct shipments unless new facilities for bagging are used at U.S. or at Saudi ports.

Wheat output may rise to more than 800,000 tons, responding to the high procurement price and the subsidies offered for the establishment of modern irrigation systems. Yet, wheat and flour imports might still increase somewhat if stock levels are rebuilt. Rice imports may stabilize at about 600,000 tons, with half coming from the United States. Consumer subsidies will continue to encourage imports of more expensive rice grades.

With the EC agricultural exports to Saudi Arabia declining, opportunities for a number of smaller suppliers will arise. Australian deliveries of meat and feed grains are expected to rebound strongly. Argentine shipments of feed grains, sugar, and meat may increase markedly. Turkey is likely to continue to send more sheep and horticultural products. Thailand is likely to sell more corn, sorghum, and canned food. Chile is expected to make further gains in deliveries of apples, pears, and grapes. (John B. Parker)

Syria

GDP Growth Slows; Foreign Aid Cut

Syria's occupation of Lebanon took its toll on the Syrian economy in 1983. About 54 percent of the Government's current spending was for defense. The country's military involvement resulted in losses of foreign aid, primarily from Kuwait and the EC. However, Saudi Arabia provided about \$1 billion in economic assistance.

Real GDP growth slowed to 4 percent in 1983, from 4.5 percent in the previous year. With a 3.7 percent population growth rate, there was little improvement in per capita income, estimated at about \$1,600. Petroleum production continued a gradual decline from a peak of 10 million tons in 1976 to 8 million in 1983. Plans for expanding phosphate output were hampered by weak world demand. Most of the value added in manufacturing came from food processing and textiles. The energy situation became critical in 1983, and daily power cuts were imposed in the autumn. Agriculture, contributing 17 percent to GDP, performed well except in the cereals sector. Large increases in cotton, sugarbeets, and horticultural products were achieved. The balance-of-payments deficit was about \$40 million, with aid receipts and worker remittances nearly offsetting a trade deficit of about \$2.2 billion. The country was plagued by a serious foreign exchange shortage and an increase in smuggling activities.

Cereal Crops Off Again; Cotton Output Up

For the second year in a row, winter grains were affected by low rainfall. Wheat production was 1.6 million tons,

slightly above the disappointing 1982 harvest. At 800,000 tons, barley output increased 20 percent but was still below the large 1980 and 1981 crops. At 70,000 tons, corn production exceeded the 1982 crop, while lentil and chickpea output were higher. The dry weather was favorable for cotton, the major farm export, which continued its upward production trend. The Syrian variety is mostly medium staple cotton, grown under irrigation. In 1983, output was 530,000 tons of seed cotton, 25 percent above last year's record. Substantial increases in cotton yields have occurred with improved seeds and greater application of fertilizers and pesticides.

Production of apples, citrus, and vegetables rose in response to high local prices, spurred by urbanization and rising incomes. With hikes in official prices, sugarbeet output has been on an uptrend, reaching a record 1.2 million tons in 1983. The olive crop, at 235,000 tons, was much lower because 1983 was an off year in the biennial bearing cycle.

High Producer Prices for Cereals

The Government continues to pay high producer prices for all major cereals, hoping to sufficiently encourage output so as to hold down escalating imports. In 1983, the official farm prices for soft and hard wheat were \$315 and \$354 per ton, respectively. About 650,000 tons of wheat were procured. Because of a feed shortage, wheat (for feed) demand drove the black market price of soft wheat up to \$385 per ton. The Government procured 45,000 tons of barley from farmers at \$210 per ton. For the first time, local corn was purchased by the General Organization for Fodder. A total of 15,000 tons was procured at a farm price of \$435 per ton.

Foreign Exchange Shortage Curtails Farm Imports

Agricultural imports fell slightly in 1983 to \$625 million because of the critical foreign exchange shortage. Despite this decline, wheat and flour imports were steady at 330,000 tons and 50,000 tons, respectively. Canada provided about 200,000 tons of wheat and France supplied over 50,000 tons. France and Greece were the major wheat flour suppliers. The United States sold no wheat to Syria, after shipping 51,100 tons in 1982. Corn imports were drastically reduced from over 300,000 tons in 1982 to 98,000 tons in 1983. An ensuing corn shortage dampened growth in the local poultry industry. Corn purchases from the United States were 82,000 tons, only about one-third the 1982 level. Rice imports were cut 15 percent to 102,000 tons, mainly from Thailand, Taiwan, and Italy.

Purchases of soybean meal, used in dairy feed, were reduced by over 50 percent to about 30,000 tons. Meal imports from the United States fell from 42,000 tons in 1982 to none in 1983. Refined sugar imports declined by 25 percent to 150,000 tons, while raw sugar imports were steady at 100,000 tons. Cuba was the major supplier of raw sugar, and the EC of refined. An estimated 70,000 tons of oranges, lemons, and other citrus, principally from Lebanon, Jordan, and Cyprus, were purchased in 1983.

Large numbers of sheep for fattening are imported annu-

ally. Purchases in 1983 were estimated at over 100,000 heads. About 5,000 tons of lamb and mutton, 10,000 tons of butter oil, and 10,000 tons of dry milk were imported.

Cotton Exports Expand; Barley Sales Slump

Syria's agricultural exports were valued at about \$230 million in 1983. Cotton lint exports were 111,000 tons, up nearly 50 percent from the previous year. Major customers were the USSR, Algeria, and Italy. Barley exports fell by over 70 percent to 90,000 tons as poultry producers substituted barley for corn in feed rations. Iran and Libya were the principal barley destinations. Chickpea exports to Iran and Algeria rose by over 10 percent to 30,000 tons. More than 400 head of fattened sheep were exported to Jordan and other neighbors.

U.S. Sales Outlook Uncertain

U.S. agricultural sales to Syria plummeted, from \$48 million in 1982 to \$19 million in 1983, because of large declines in corn, wheat, and soybean meal exports. The setback resulted from Syria's foreign exchange situation, other suppliers' low prices, and political factors. There are some indications that U.S. sales can improve. In the case of wheat, attention to the competitive prices of France and Canada and increased efforts to comply with Syrian wheat tender specifications are necessary. (*Susan Buchanan*)

Turkey

Agriculture Output and Exports Down

Turkey's agriculture in 1983 was marked by lower domestic output and reduced agricultural exports, which affected the performance of the economy, with GNP increasing at only 3.2 percent, compared with 4.6 percent in 1982. Inflation, which continued as a focus of government policy, remained near 40 percent, despite government efforts—through price and interest controls—to bring it below that level. Agricultural exports, which had grown at 61 percent in 1981 and 21 percent in 1982, stagnated. This was particularly true for exports to Iraq, which plummeted. On the other hand, exports to Iran increased substantially. In addition, the dramatic trade shift which occurred in 1981—of exports from Europe toward the Middle East—seems to have been reversed; European markets took the major share of Turkish exports in 1983. Turkey's foreign exchange situation deteriorated somewhat in 1983. Remittances from Turkish workers declined 20 percent in 1981, 12 percent in 1982, and, again, in 1983 by an estimated 27 percent to \$1.6 billion. The principle factor has been the slow recovery of European economies, particularly that of West Germany, and the strong dollar vis-a-vis the German mark.

1983 Grain Output Declines

Current estimates show that Turkish agricultural production showed a real decline of .8 percent in 1983, compared with a planned increase of 3.4 percent. The previous year's agricultural growth rate was 6.5 percent. The lower production was led by a decline in wheat and barley output. The latter was particularly hard hit with

output down to an officially estimated 5.4 million tons, 15 percent below 1982 output. Unfavorable weather in late 1982 and the spring of 1983, plus competition from other crops, caused a sharp reduction in both area and production. However, judging by domestic demand and imports, the crop was probably closer to 5 million tons; this led to an import of over 600,000 tons of barley, mostly from the United States, the first such import in recent memory. At the same time, wheat output was down to an estimated 13.3 million tons, 4 percent below 1982. The lower crop and continued export commitments resulted in imports of over 500,000 tons in 1984, coming mostly from the United States. Turkey's grain export trade reversed itself during 1983. Wheat and barley export sales stopped, and imports began. However, export shipments based on earlier commitments continued and totaled nearly \$100 million of wheat and \$85 million of barley.

The yield and quality of this year's cotton crop have been far superior to that of last year, and the bulk of the crop was harvested before the rains. As a result, production estimates are a record 520,000 tons of lint. Raw cotton exports have been slow; it is believed that the Government will continue to favor value-added exports. However, EC restrictions continue to hamper the expansion of the Turkish textile industry.

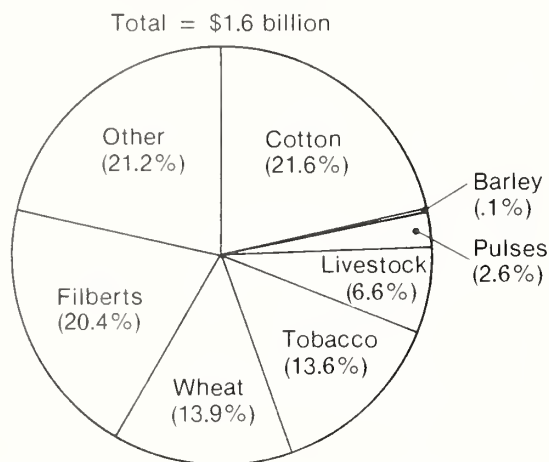
New Government Makes Policy Changes

During the early 1980's, policy decisions were made to increase agricultural output. Turkey now uses all of its arable land, although there are still nearly 8 million hectares which are fallowed annually. The Government has increased its efforts to raise the yields of certain crops, where there is potential for added production. During the decade of the 1980's, the focus will be on more use of better seed and fertilizer, livestock and poultry production increases, and improvement and expansion of the irrigation network. Over 60 percent of agricultural investment funds are intended for use in soil improvement and water projects.

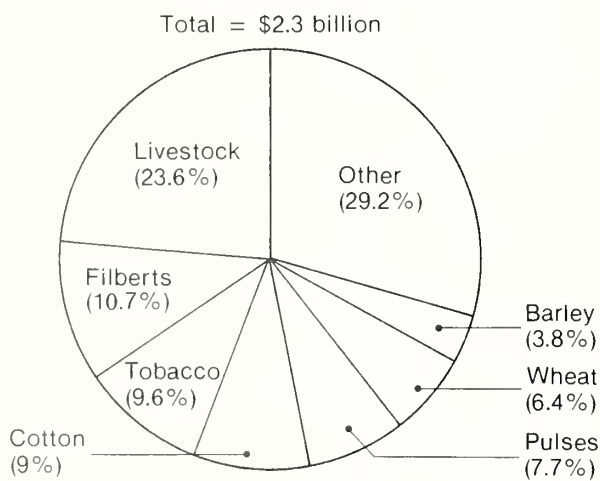
In 14 provinces, which currently produce mostly wheat and cotton, second crop production has been undertaken for the following: rice, corn, sorghum, silage, sudan grass, soybeans, peanuts, sesame, broad beans, rapeseed, vetch, and potatoes. Emphasis is being placed on growing lentils, chickpeas, and food and feed legumes. These are integrated programs which include processing, packaging, and marketing facilities. Turkey, spurred on by World Bank projects, is trying to improve the following: livestock development, including dairy production; fattening and breeding of cattle and sheep; poultry production, animal health, and, potentially, milk processing, as well as meat and feed processing. Turkey is also purchasing improved seed and is importing 2,500 tons of certified soybean seed. If all this seed is planted, production of soybeans could double to nearly 80,000 tons by 1985. This would contribute to the country's meal needs, as well as reduce its annual vegetable oil imports, which in 1983 approached 150,000 tons.

In a series of decrees published in late 1983, the Ozal Government drastically changed foreign trade and foreign exchange procedures. Regulations concerning exports have been simplified, and the list of items requiring an export license has been limited. Restriction on imports has been partially eased.

Turkey: Agricultural Exports, 1978



Turkey: Agricultural Exports, 1983



Pace of Agricultural Exports Slowed

The devaluation of the lira against the U.S. dollar, at a cumulative rate of over 55 percent in 1983, definitely increased the competitiveness of Turkish products. However, price competition alone could not push exports to targeted levels. As a result, the pace of exports in 1983 was much slower than in 1982. Total exports reached about \$5.8 billion, only 2 percent above 1982's. Agriculture's share in total exports declined from 41 percent in 1982 to 37 percent in 1983. This pattern is expected to continue, in line with the Government's incentive program, designed to encourage export of value-added products instead of raw materials. Despite the substantial increases in the export of traditional agricultural commodities, such as cotton, figs, raisins, hazelnuts, and pistachios, their export revenue in dollar terms has declined. For instance, despite a 5.5 percent increase in the volume of cotton exported in 1982, revenues registered a 14.6 decline. For hazelnuts, whose export volume was up 11.1 percent, a value decline of 20.2 percent was registered.

Judging by present world demand and price conditions, it is clear that Turkey cannot expect to enhance export income by raising the volume of its traditional exports. Even in nontraditional exports, such as citrus, while volume declined by 36 percent, value declined by 50 percent. On the other hand, the export of nontraditional commodities, such as livestock and processed food products, fared much better. Receipts from processed agricultural products jumped from \$209 million in 1980 to \$569 million in 1982, and \$725 million in 1983. Receipts from livestock and livestock products increased from \$128 million in 1980 to \$618 million in 1982, and an estimated \$550 million in 1983. Since processed-food products compose the bulk of agricultural-based processed products, the implication is that Turkey can rely on food exports to enhance its foreign exchange revenue. Sustaining the growth of exports is central to the new development strategy. The export surge of 1981 and 1982 resulted from a combination of unique circumstances both in Turkey and in nearby countries. A dramatic increase in total exports was brought about by a policy oriented toward the following: expanding exports, plus increased efforts at meeting regional demands; a realistic exchange rate policy; and higher oil revenues in nearby countries. In addition, industrial and agriculturally-based exports increased sharply compared with raw agricultural commodity exports.

U.S. Exports Up Sharply

U.S. agricultural exports to Turkey for 1984 are projected to rise to nearly \$180 million, compared with last year's \$28 million. This is due primarily to the very large wheat and barley purchases made at the beginning of the year. Barley exports should be near 400,000 tons valued at \$54 million, wheat purchases at 550,000 tons valued at \$90 million, and corn purchases at 66,000 tons valued at \$9 million. Turkish wheat purchases are not unusual. In 1981/82, Turkey bought nearly 900,000 tons, mostly from the United States. What is unusual is the very large amount of barley and corn. These purchases, while unprecedented, may be viewed as Turkey's long-term investment in the development of its livestock industry and a commitment to maintain, and, perhaps, expand its export of wheat and barley, as well as livestock products. In addition to grains, Turkey has recently purchased soybean seeds and may be in the market for soybeans.

Dry Weather Portends Lower Grain Crop

The effects of a dry fall and mild winter may portend reduced output in Turkey's agriculture for 1984. However, for grain farmers, it is the April-May showers which determine the size of the crop. Some farmers assert that agricultural production in 1984 may decline by 15 to 20 percent as producers will use 50 percent less fertilizer because of the 60 percent price increase in January. Government officials claim that the price increase of fertilizer and petroleum will be reflected in higher support prices, although this may negate the Government's effort to keep a lid on inflation.

Current estimates for the 1984 wheat harvest are 13.1 tons, slightly below the 1983 crop. Barley output is expected to rebound, but exports will remain low as domestic consumption takes a larger share. Turkey's agricultural exports for 1984 are expected to do better

than in 1983, with higher exports of livestock, livestock products, and pulses. Remittances from Turkish workers abroad are expected to rebound somewhat as the economies of Western Europe, particularly Germany, recover from recession. However, Turkey will continue to face domestic unemployment difficulties, as overseas employment is reduced both in Europe and in the Middle East, and domestic employment generation will be unable to provide enough jobs for the increasingly large labor force. Turkey also faces debt repayments in 1984 and 1985 which may constrict domestic investment. (Michael E. Kurtzig)

United Arab Emirates*

Economic Stability Amid Turbulence

In 1983, a combination of lower petroleum exports and lower prices reduced the United Arab Emirates' (UAE's) oil earnings by 17 percent, to \$12 billion. Shipments to Japan remained strong, but sales to the EC and the United States fell drastically. In the wake of lower petroleum earnings and loss of the transit trade with Iran, the UAE has developed policies and programs to provide economic stability and diversification. The resulting lower petroleum revenues, plus a 25 percent reduction in construction and less wholesale trade with other countries, caused the UAE's GNP to drop 4 percent to \$29 billion. The money supply increased 3 percent in 1983, compared with the remarkable pace of 21.9 percent in 1981, and credit extended to UAE borrowers reached \$8 billion. Government deposits declined as petroleum revenues fell, and bankers became more cautious in making loans. The stock market crash in Kuwait also had an impact because many of the shares traded on the Al Manakh were for companies operating in the UAE.

UAE's imports remained at about \$9.5 billion in 1983. Greater wholesale distribution of consumer goods to Iraq, Oman, and Yemen helped offset the virtual elimination of the transit trade with Iran. The value of natural gas exports rose to \$1.7 billion compared with \$1.5 billion in 1982, and income from foreign investments exceeded \$1 billion. The current account surplus fell to \$4.5 billion from \$7.6 billion in 1982.

About half of the federal budget of \$5.5 billion in 1983 was spent for defense. The rising emphasis upon agribusiness in Saudi Arabia contributed to greater expansion in poultry projects and horticultural farms.

Agricultural Production Up

Subsidies play a major role in agricultural output in the UAE, and, in 1983, more farmers and agribusiness firms qualified for the elaborate array of subsidies available, providing machinery, greenhouses, feed, seeds, and fertilizer. As a result, vegetable production increased 10 percent to about 114,000 tons, including 70,000 tons of tomatoes and 20,000 tons of cucumbers. Melon output rose about 20 percent to 2,500 tons. Date orchards in Ras Al Khaimah produced bumper harvests, and output rose 10 percent to 49,000 tons. Citrus output was up 8

percent to 32,000 tons, and there are plans for new commercial orchards of oranges and limes.

The sharp increase in feed grain imports led to a 20 percent rise in poultry meat output, to 19,000 tons. Milk production continued to expand to over 15,000 tons; most of the milk producers used imported preserved milk for blending. Feedlots for beef cattle and sheep also expanded.

Regional Hostilities Increase Food Imports

Fear about the closing of the Straits of Hormoz because of the Iran-Iraq conflict, as well as further improvements in the average diet, caused UAE agricultural imports to rise 12 percent in 1983, to approximately \$1.3 billion. Trade statistics compiled for four of the seven Emirates provide a good picture of the characteristics of this market. Trade statistics for Dubai, where over half of the UAE food imports are unloaded, are excellent. Statistics for Abu Dhabi, Shajrah, and Ras Al Khaimah are now tabulated, but appear incomplete. UAE agricultural imports are from many sources. The EC, Australia, India, Brazil, and Pakistan are usually larger suppliers than is the United States. U.S. industrial exports to the UAE are much more important than food sales.

In 1983, total U.S. exports to the UAE dropped to \$856 million, but the value for farm products showed little change at \$58 million, only half the value recorded in 1981. Exports of barley, corn, apples, and processed foods increased sharply, offsetting smaller sales of rice, the leading U.S. farm export in recent years. In 1980, U.S. agricultural exports to the UAE peaked at \$114 million, including \$70 million for 152,000 tons of rice which eventually went to Iran. Currently, UAE transit trade of rice has virtually ceased, and, consequently, U.S. rice exports have declined 60 percent, to 4,576 tons. U.S. apple exports to the UAE rose 33 percent in 1983, to \$7.8 million, as EC and Australian deliveries declined.

Australia is a major supplier of live sheep, canned meat, mutton, beef, canned fruit, and apples to the UAE. Its agricultural exports increased to about \$70 million in 1983 and should rise in 1984. In 1983, Australia sent 153,000 tons of wheat, supplying flour mills at Abu Dhabi and Dubai.

EC agricultural exports to the UAE rose 6 percent to about \$224 million in 1983. Dairy products, which have shown a strong upward trend in the last 7 years, accounted for about one-fourth. From 1977 to 1983, exports of preserved milk doubled, to 13,000 tons. Those of EC cheese now exceed 500 tons annually, compared with an average of only 113 tons annually during 1976-78. Butter exports averaged 800 tons during 1980-83—double the 1976-78 average. Shipments of frozen poultry averaged about 3,600 tons annually during 1979-83. France has developed growing markets for apples and pears in Dubai and Abu Dhabi. EC sales of processed foods to these markets have shown a strong upward trend, particularly in chocolates, fruit juices, and tomato products.

1984 U.S. Farm Exports May Rise

Further gains in agricultural imports, to about \$1.4 bil-

* Abu Dhabi, Ajman, Dubai, Fujarah, Ras Al Khaimah, Shajrah, and Umm Al Quwain.

lion, are expected in 1984. Efforts to spur agricultural development are likely to accelerate, including new plans to establish commercial orchards and more poultry farms. In 1984 larger sales of feed grains and processed foods may push U.S. agricultural exports above \$65 million. Programs to greatly expand the poultry industry and cattle feedlots have increased feed grain demand. U.S. sales could rise to 175,000 tons—from the 123,974 tons sold in 1983. (*John B. Parker*)

Yemen Arab Republic

GDP Grows as Services Sector Expands

North Yemen's GDP grew at a real rate of 5.5 percent in 1983. With inflation at 6 percent, GDP was \$3.6 billion. The services sector, providing 40 percent of GDP, continued to expand. Its growth has been fueled by the inflow of remittances from workers abroad, stimulating the commercial banking system and financial activity. Remittances were down slightly in 1982, to \$1 billion. The decline in remittances and an increase in imports caused a slight worsening of the balance-of-payments deficit to \$360 million. The merchandise trade deficit increased marginally to \$1.7 billion. Much of the annual \$300 million in aid received from the Arab oil states and the United States has recently been used for reconstruction following the December 1982 earthquake.

Drought Reduces Crop Output

Agriculture, which provides 25 percent of GDP, was adversely affected by a serious drought in the second half of 1983. Sorghum output was 248,000 tons, 40 percent of the 1982 crop. At 32,000 tons, maize production was about half of that in the previous year. The wheat and barley crops were off substantially at 27,000 and 10,000 tons, respectively. Vegetable crops in several districts were damaged by frost in November. Since the mid-1970's, grain output has declined as farmers have shifted into more lucrative crops—particularly kat (a shrub with narcotic leaves)—and horticultural products. An estimated 45,000 hectares is currently cultivated to kat—making it the fourth largest in land use after sorghum, wheat, and barley.

U.S. Main Wheat Supplier in 1983

Yemen's agricultural imports have catapulted from less than \$200 million in the mid-1970's to nearly \$800 million in 1983. While the EC and Australia have been the major suppliers, the United States did well in the market in 1983, as sales expanded from \$18 million in 1982 to \$73 million. Through a blended credit package, the United States supplied 70 percent of Yemen's wheat and flour imports compared with 1 percent the previous year. The \$55 million package provided 345,000 tons of wheat. Traditionally, the bulk of Yemen's wheat imports have come from Australia, which shipped 250,000-400,000 tons annually from 1980 to 1982. The EC is the major flour supplier, providing about 90,000 tons in 1983, mainly from West Germany. In 1983, the United States provided another \$5 million in blended credit for 15,000 tons of rice plus \$3.3 million in GSM-102 financing for 10,000 tons of rice. Additionally, Yemen bought 7,000 tons of corn and 9,000 tons of animal feed items from the United States. Yemen imports large quantities of dairy prod-

ucts, poultry, and canned goods from the EC, and red meat and dairy items from Australia.

Further Growth in Grain Imports Expected

Because of increasing cereals demand and the limitations on its cultivable base, Yemen will continue to be a growth market for wheat, flour, and rice. Australia, having recovered from the 1982 drought, now has an export surplus and has already supplied wheat to Yemen in 1984. At the same time, there are expectations that the United States will offer Yemen blended credit or special financing. There is room for both suppliers in the market, with each providing over 200,000 tons of wheat a year. (*Susan Buchanan*)

Four Countries on the Arabian Peninsula

Each of the four countries included in this section is characterized by certain economic roles that provide opportunities to improve income and potential agricultural imports. Oman and Qatar have petroleum exports which each exceeded \$5 billion annually during 1981-83. Bahrain has become an important center for services, banking, and transportation because of its open door policies which attract investors from nearby countries and Europe. Bahrain also has a petroleum refinery and a diversified consumer goods industry. The People's Democratic Republic of Yemen (PDR) also has a petroleum refinery which permits ships to refuel while stopping at Aden. The trade policy of this country recently shifted to encourage more ships to stop, and new efforts have been made to stock Aden's stores with a wide variety of consumer goods, including more from the United States.

Agriculture in these countries accounts for less than 7 percent of the GNP. Qatar and Bahrain import over 90 percent of their food, and Oman and PDR about 75 percent. Agriculture has expanded in Oman, but at a slower pace than the urban economy. High subsidies have encouraged more output of livestock products in Qatar and Oman, but dependency upon imported food has increased.

Subsidies Spur Agricultural Output

In recent years, agricultural production has increased rapidly in Oman. It is the top agricultural producer among these four countries. Its alfalfa output exceeds 150,000 tons; vegetable production is now nearly 500,000 tons, including 165,000 tons of tomatoes and 150,000 tons of cucumbers. Output of bananas, limes, and dates each exceeded 30,000 tons in 1983. Government subsidies and loans to small farmers encouraged development of irrigation for new orchards and vegetable gardens. The great gains in vegetable production in Qatar and Bahrain of the late 1970's slowed in the early 1980's. Until recently, PDR's policymakers neglected agriculture.

Agricultural Imports Rising

Food imports by all four countries increased in 1983. Oman's rose from \$337 million in 1982 to about \$381 million. Wheat imports from Australia rose to over 80,000 tons and rice from Asia exceeded 50,000 tons. EC agricultural exports to Oman in 1983 were about \$70

million, including a considerable volume of frozen poultry, beef, eggs, sugar, and dairy products.

Bahrain's food imports, including processed foods from Europe, continued to rise in 1983 to about \$229 million. An increasing proportion of the population in Bahrain has a sufficient income to buy the best imported food available. EC sales of dairy products, beer, soft drinks, and snack foods to Bahrain increased markedly in 1983.

PDR's food imports rose 10 percent to about \$285 million in 1983. Further improvements in the average diet and Aden's expanding business as a stopover point for ships through the Suez Canal contributed to the increase. EC shipments of meat, dairy products, and snack foods increased. Australia again delivered over 150,000 tons of wheat. Pakistan, Thailand, and Burma delivered more rice. India sent a substantial volume of tobacco and spices.

Qatar's agricultural imports increased about 15 percent to \$224 million in 1983. Sugar, live animals, rice, fresh fruit, and processed foods continued to be the dominant food imports. The EC, Turkey, Pakistan, and Brazil were major suppliers.

Bahrain Leads in U.S. Farm Exports

Among these countries Bahrain was slightly ahead of Oman as the top market for U.S. farm products in 1983, with a value of \$11.2 million—a fourth above the previous year. Shipments of apples zoomed from \$100,000 in 1982 to \$1.4 million in 1983, and sales of fruit juices, nuts, and flavorings (for the expanding soft drink industry) were also up sharply. U.S. sales of poultry meat declined slightly to \$1.1 million in 1983; deliveries of canned vegetables declined because of stronger competition from Asian suppliers and Turkey.

A rebound in Oman's wheat and feed grains imports caused an 83 percent rise in U.S. agricultural exports, to almost \$10 million. Sales of fruit juices, nuts, canned fruit, and flavorings also expanded.

Sales of U.S. farm products to Qatar increased 25 percent in 1983 to \$7.4 million. A tenfold increase in rice shipments to 5,178 tons, valued at \$2.0 million, accounted for much of the increase. Shipments of poultry meat rose 90 percent to 170 tons. Apple sales tripled, reaching a value of \$300,000. Deliveries of canned vegetables declined 40 percent in value to \$600,000. Qatar had spent \$628,000 for U.S. corn in 1982, but shifted to competitors in 1983.

PDR's purchases of U.S. farm products declined 49 percent in 1983 to \$880,000, mostly because of the 89 percent decline in rice shipments. A new market for 3,191 tons of U.S. corn opened in 1983. Considerable gains in U.S. sales of corn, rice, and processed foods to this market could occur in 1984, although the value will remain small.

Food Imports Likely To Increase

Food imports by these countries are likely to increase considerably, partly because of possible disruptions in shipping to the area. Wholesalers are apparently attempting to replenish their stocks of processed food, wheat, and rice. Sales of EC dairy products, Australian

wheat, Thai corn, Thai and Pakistani rice, and Indian spices are likely to be up in 1984. Tea imports will be much more expensive because of India's limitation on exports.

U.S. agricultural exports to these countries are expected to rise in 1984. Rice, corn and barley shipments may increase markedly. Demand for apples, canned fruit, nuts, and poultry meat is rising and larger purchases are most likely. (*John B. Parker*)

NORTH AFRICA

Algeria

Economy Expands Despite Oil Revenue Decline

Lower petroleum prices and lower oil exports cut Algeria's export revenues by 7 percent from 1982's level. The current shortage of foreign exchange has forced Algeria to enter international capital markets for the first time since 1979. However, Algeria should be able to avoid the economic dislocation that many oil-exporting nations are experiencing as its export base shifts from oil to natural gas. Enhanced foreign exchange revenues from natural gas means that involuntary austerity in Algeria is a temporary phenomenon, not a chronic condition. In 1983, natural gas sales to Italy—via the trans-Mediterranean pipeline—increased sharply. A long-term contract was concluded with France, and the first of four 1 million ton per year Liquid Natural Gas (LNG) plants at Arzew began operation. LNG exports were almost 1 million tons for 1983. Exports should reach 1.9 million for 1984 and 5.5 million by 1986.

Despite the slip in hydrocarbon sales, the Algerian economy performed well in 1983, with real GDP increasing 3 percent. Steel production was up sharply, and a housing boom, in response to the major housing shortage, is expanding employment in many sectors. Algeria has the highest number of live births per woman of any country—7.4 children. The average household has nine members and the standard city dwelling is a two-room apartment.

Drought Cuts 1983 Harvest

Cold winter weather and drought (from March through the summer) stunted the 1983 grain harvest with output at 1.2 million tons, 60 percent of the 5-year average harvest. Wheat production fell to 810,000 tons; imports should reach 2.7 million tons, with 1.6 million in durum and 1.1 million in soft wheat, to cover projected consumption of 3.5 million tons. Barley production, at 381,000 tons, was about 60 percent of normal. Imports should exceed 500,000 in 1984, while purchases of corn—which is not produced domestically—should also total 500,000 tons. Demand for feed has risen swiftly as Algeria has expanded its poultry sector and drought has cut domestic fodder availability.

Producer Prices Raised; Subsidies Cut

The cost of food subsidies, which ran close to \$1.5 billion in 1983, are less of a concern than the problem of shortages at the retail level. Producer prices on many

items—most notably wheat, with an increase of 15 percent—have been raised to stimulate production. Retail prices were also raised to restore profitable margins to private sector retailers and flush out snags in the marketing system. Bread prices were raised 50 percent, cooking oil 13 percent, and imported egg prices were boosted 115 percent in parity with domestic eggs. Long lines for eggs and the virtual disappearance of some vegetables from the market—for example, potatoes in 1982—have been targets of consumer complaints. Higher prices aided fruit and vegetable availability in 1983, but prices are often several times those prevailing in Europe and Morocco.

New Development Plan Favors Agriculture

In 1984 the First 5-Year Development Plan (1980-84) will end. During this time there was a move away from the heavy industrial bias of the Boumediene regime (1965-78). The current Bendjedid administration has emphasized job creation and an increase of consumer goods. A larger share of the investment budget, which had been dominated by the hydrocarbon, chemical, and steel industries, is being allocated to light industry, residential construction, transportation, rural electrification, and agriculture. Many of the large state corporations and farms are being decentralized. More executive power is being delegated to lower echelon managers and profitability is being emphasized as the primary criterion of decision-making. The objective is to raise productivity and capacity utilization within a socialist framework, not to convert the economy to laissez-faire capitalism.

Among the agricultural objectives of the Second 5-Year Plan (1985-89) are the following: improving nutrition by increasing the availability of fresh fruits, vegetables, and meat to low-income families; and "total independence in certain food products such as fresh and dried vegetables, fruits, and white meats." Because self-sufficiency in grains and animal products is not a feasible objective, expansion of domestic production has become a priority. Of the 3.1 million hectares currently under grains, 230,000 will be shifted to marginal use because yields are too low. Current grain yields—little better than half-a-ton per hectare—are far below their potential; a 20 percent yield improvement is anticipated through soil conservation, improved cultivation practices, and greater availability of inputs. Domestic grain production covers half of current consumption and is projected to cover 55 percent by 1989. As more credit is now available to farmers, emphasis in agricultural extension is being placed on financial management. Another target of extension is cutting post-harvest losses for vegetables.

Although Algeria had been the world's largest importer of eggs, significant progress towards egg as well as vegetable self-sufficiency has already been achieved. Egg production should reach 1 billion units in 1984, up twice from 1982. Dried vegetable output is also expanding rapidly; planted area is up 80 percent in 1984 to 225,000 hectares. Substantial investment is taking place in garden vegetable production. The Second 5-Year Plan calls for 8,000 hectares of greenhouses, 33,000 additional hectares of irrigated area, and an increase of nonirrigated area from 225,000 hectares in 1983 to 543,000 hectares in 1989. More land will be devoted to fruit: An increase of 11,000 irrigated hectares and 103,000 rain-fed hectares is expected to allow self-sufficiency. The Algerian

wine industry, which slumped in recent years because of protectionism in Europe and too high an alcohol content for most export markets, will revive as 160,000 hectares of quality vines begin production in the late 1980's. Annual exports of 3 million hectolitres are anticipated.

U.S. Credit Facilitates Exports

The U.S. offer of \$166 million of blended credit will help secure a larger share of the 1984 Algerian grain market. Wheat sales are anticipated to be unchanged from 1983, but feed grain exports are estimated up 175 percent, with 400,000 tons of corn and 75,000 tons of barley. Algeria's recent emphasis on attaining self-sufficiency in poultry and livestock products—along with 1983's short grain crop—accounts for the increase. As for the 1984 grain crop, rains have been favorable in the eastern grain regions so far this winter, but the western areas south of Oran are drier than normal. (*David W. Skully*).

Egypt

Production Lagging—Imports Rebound

Following good gains for Egypt's grain output in 1982, there was little change in 1983. Concessional financing and trade agreements resulted in a strong rebound in food imports. The petroleum and services sectors remained the bright spots, and foreign exchange earnings made a better showing than expected. Petroleum output rose 14 percent to about 825,000 bpd, and natural gas output was up. The volume of petroleum exported increased enough to offset lower prices. Worker remittances were up, particularly from Iraq. While fuel subsidies were reduced, those for food remained near \$2 billion; bargain prices for imported flour kept the bread subsidy from rising beyond \$1 billion. Corn subsidies increased, while those for pulses and cooking oil declined.

Egyptian industrial output advanced about 10 percent, with strong gains in consumer goods, automobiles, and fertilizer. Textile output grew at a slower pace, and a shortage of cotton may hamper output in 1984. The construction boom continues to bolster imports of forest products, which may reach \$1 billion in 1984. Egypt's exports remained at nearly \$4 billion in 1983, including \$3 billion for petroleum and products. Imports increased to about \$11 billion, with the United States and the EC providing about half of all imports. The resulting \$7 billion trade deficit was covered by \$5 billion from services and tourism and \$2 billion from loans and grants.

Egypt's current account deficit increased to about \$2.8 billion and foreign exchange reserves fell to about \$550 million, half the 1981 level. The foreign debt rose to nearly \$18 billion and debt service payments rose to about \$3 billion. The latter would have been higher without special arrangements with the United States and wealthy Arab countries to rollover or forgive loans. Interest payments of \$1 billion annually would have been higher if the interest rate for U.S. P.L. 480 loans were more than the 2-3 percent range. The \$2 billion U.S. economic aid program was changed to reduce the rate of Egypt's debt accumulation. The P.L. 480 Title I program was revised to allow 10 percent of the payments for the 1984 program in local currency. There was also a

special program to provide dairy products, valued at \$44 million, all in local currency. The \$272 million in Commodity Import Program (CIP) financing was a grant, in contrast with earlier CIP financing, which was a long-term loan. In addition, CIP funds were down from a peak of \$650 million in 1981 to under \$300 million in 1983.

In 1983, Egypt bought 1 million tons of U.S. wheat flour at a subsidized price of only \$136 per ton, about one-third below the average world market price. This involved GSM-102 loans at 11 percent, and the low commodity price saved Egypt about \$140 million. Blended credit in 1983 totaled \$155 million, including \$70 million for corn, \$55 million for wheat, and \$30 million for tobacco. The GSM credit for 1984 includes \$7.6 million for poultry products, \$40 million for tobacco, and \$5 million for other products. Blended credit (80 percent GSM-102, 20 percent GSM-5) for 1984 includes \$64 million for wheat.

Agricultural Production Shows No Change

Aggregate crop production in 1983 was virtually the same as in 1982. Grain production increased about 1.3 percent to 7.7 million tons, following the unusually superb rise of 5 percent in 1982. Corn output rose above the 1982 harvest of 3.35 millions ton as more farmers used hybrid seed and fertilizer. Cotton output declined 11 percent although area planted remained steady. The shift to new varieties caused a greater proportion of the cotton balls to open late, thus causing a labor problem as most children were in school by then, and wages were too high to allow farmers a second picking. Larger harvests of corn, soybeans, tomatoes, and oranges helped offset the smaller cotton crop.

Fruit production increased to nearly 2.6 million tons, with oranges up to 1.25 million tons. Grape and pear output also increased. Vegetable production rose to 9.2 million tons, including 2.6 million tons of tomatoes. Shortages of melons and onions were reported.

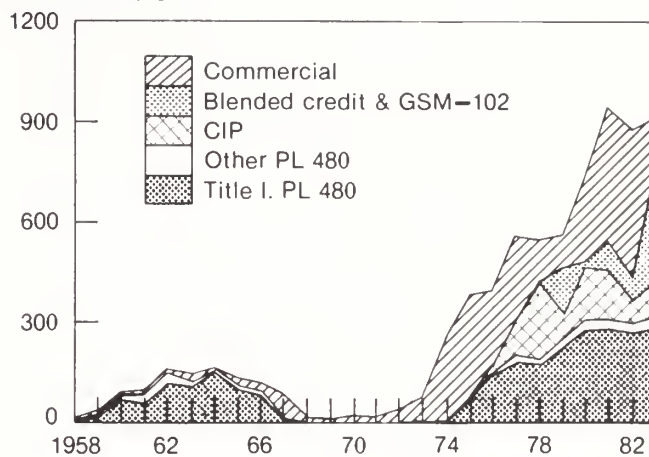
Meat production increased about 3 percent in 1983, mostly because of projects to boost output in feedlots, where both animals and feed were imported. Live cattle imports from Europe rose to nearly 300,000 head compared with less than 10,000 head 4 years ago. A program to buy local baby buffalo calves for fattening in public feedlots bolstered beef output. Beef production rose about 4 percent to 310,000 tons. Feed shortage limited the gain in poultry meat output to only 7 percent as the volume reached 158,000 tons. Milk output exceeded 2 million tons mostly because of expansion by public dairies. Public enterprises also produced more meat, milk, and wheat.

Trade Policies Modified

The Import Rationalization Committee's efforts to ban or restrict import of selected commodities in 1982 were modified in 1983 to ease consumer shortages. For example, the ban on frozen poultry imports for 6 months of 1982 resulted in record imports from Brazil in 1983. The ban on apple imports did not prevent the steady flow from Lebanon in 1982 and 1983. A trade agreement with Lebanon assured that apple deliveries would remain near the 1981-83 average, which was 16,000 tons. However,

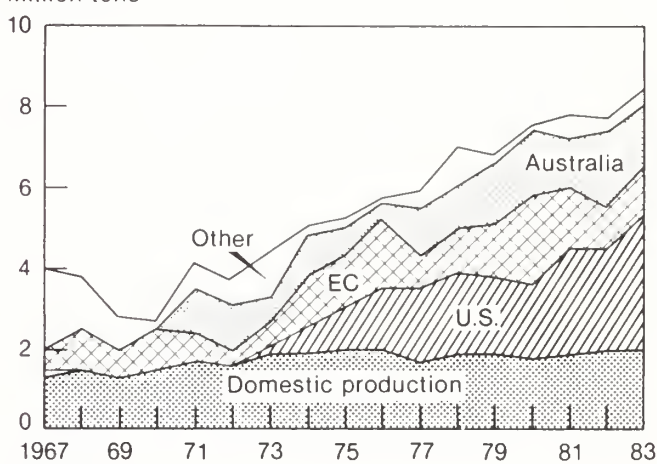
Financing U.S. Agricultural Exports to Egypt

Million dollars



Egypt's Wheat Supply

Million tons



the war situation may void some of the commitments. Turkey is sending more fruit through a trade agreement.

Egypt remained steadfast in its refusal to allow occasional imports of commodities that public agencies are responsible for exporting, particularly rice and onions. Therefore, despite rice shortages, with resulting long lines at cooperative stores, Egypt increased rice exports to about 30,000 tons, mostly to Saudi Arabia and the Soviet Union. And while other Mideastern countries solved their seasonal shortages of onions by importing from the Netherlands or Turkey, the Egyptian Government refused such imports.

Agricultural Imports Rebound

Egyptian agricultural imports rebounded 3 percent in 1983 to about \$3.9 billion, mostly from larger imports of wheat flour, corn, frozen poultry, tallow, tobacco, and tea. Beef imports remained near the \$300 million recorded in 1982. Expenditures for wheat and flour imports remained at about \$1 billion. Lentil imports from Turkey declined sharply as local dry bean supplies expanded.

Wheat and flour imports combined increased 13 percent to 6.4 million tons. Wheat remained at about 4 million tons, including 1.95 million tons from the United States. Imports of Australian wheat declined to about 1.5 million tons, and EC deliveries fell to about 350,000 tons. Wheat flour imports rose 18 percent to about 1.6 million tons, including 1.4 million tons from the United States, 350,000 tons from the EC, and 75,000 tons from Spain.

From 1978 to 1982, U.S. corn accounted for virtually all of Egypt's feed grain imports. This changed in 1983 with purchases of Argentine corn. Imports of 200,000 tons of Sudanese sorghum are scheduled for 1984. U.S. corn exports to Egypt increased 34 percent to 1.6 million tons in 1983, but only a small gain is expected in 1984.

Meat imports increased 15 percent in 1983 to about 250,000 tons as subsidized prices at cooperative stores and rising incomes bolstered demand. In addition, feed shortages stifled local output. All of the increase was in poultry imports, which doubled in 1983, surpassing 100,000 tons. Brazilian and U.S. deliveries nearly tripled. Brazil provided 31,000 tons in 1982. U.S. shipments reached 11,000 tons in 1983, including turkey and chicken parts. Beef imports dropped slightly to 120,000 tons, with larger deliveries by the EC nearly offsetting smaller Argentine shipments of only 41,000 tons. U.S. sales of beef liver to Egypt tripled reaching \$15 million.

Agricultural Exports Down

The brief rebound in agricultural exports in 1982 did not repeat in 1983 as shortages of cotton, rice, and onions limited export availabilities. Exceptions were exports of oranges and herbs. The traditional exports of fresh vegetables to Lebanon were supplemented by new sales of tomatoes and broccoli to Saudi Arabia and Europe. Potato exports are scheduled to double in 1984 to 300,000 tons, primarily to Saudi Arabia, substituting to some extent for Lebanese shortfalls. The cotton export policy was revised, through a trade agreement, to again include sales to the Soviet Union. This revision provided a fall-back position when sales to China and Europe were declining. Egypt may need to import inexpensive cotton in 1984 to free up some of its more costly long staple grades for export.

1984 U.S. Agricultural Exports May Rise

U.S. farm exports to Egypt, which rose 21 percent to \$970 million in 1983, are expected to make further gains to about \$1 billion in 1984. The strong 1983 shift to U.S. government-financed sales is expected in 1984. U.S. exports of wheat and flour, which rose to a record 3.34 million tons in 1983, are likely to retreat to less than 2.5 million tons in 1984 because of strong supplier competition. U.S. wheat flour deliveries are scheduled to decline to only about 400,000 tons, but EC shipments may double to 800,000 tons. For 1984 delivery, Egypt has scheduled purchases of 2.1 million tons of wheat from Australia, 1.6 million tons from the United States, and 625,000 tons from Canada. Purchases of 500,000 tons of EC wheat and wheat flour may be supplemented by additional purchase of 600,000 tons if credit terms are arranged.

Strong gains in U.S. sales of sunflower oil, tobacco, dairy products, seeds, and poultry products should offset small-

er wheat and flour shipments. In addition, the average price for grain and livestock products exported to Egypt will be higher this year. (*John B. Parker*)

Morocco

Large Debt Plagues Economy

Droughts and debts dominate the Moroccan economic horizon. In 1981 and 1983 severe drought required substantial grain imports and expanded Morocco's trade deficit. The 1984 situation is not likely to improve. Morocco's \$11 billion external debt began in the mid-1970's, when, buoyed by high world prices for its phosphates, Morocco began an ambitious investment program. With the start of the world recession in 1979, phosphate prices plunged and have yet to recover. High interest rates, the droughts, and the war in the Sahara, which has dragged on since 1977, have all contributed to the chronic trade deficit and the growing debt. In 1982, debt service exceeded \$1.4 billion, and it is expected to reach \$2 billion by 1986. In July 1983, an austerity budget which cut public expenditures 12.5 percent was introduced. Also imposed were import restrictions, a devaluation of the dirham, a cut in public sector hiring, and a reduction of consumer subsidies on energy, water, and basic food items.

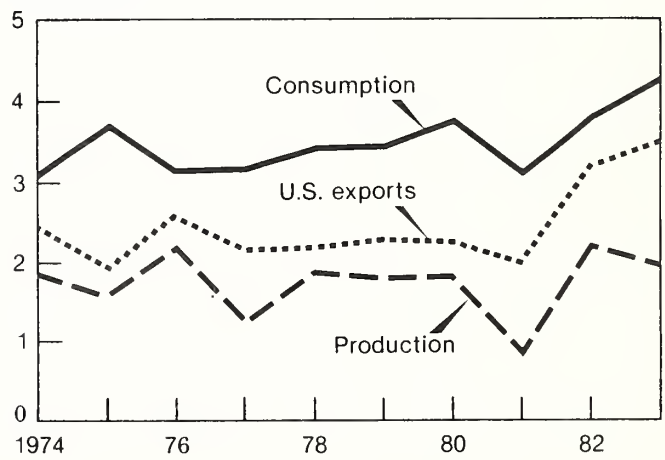
Real GDP growth in 1983 is estimated at zero. Poor harvests offset any industrial growth, and inflation for the year was just below 10 percent. Low phosphate and mineral prices and short harvests account for much of the poor showing. On the positive side, tourist receipts and worker remittances from abroad were much improved—as were exports of phosphoric acid and fertilizers.

Drought Reduces Output Again

Favorable rains in late 1982 expanded planted grain area; however, dry weather prevailed from January to April 1983. The harvest was 34 percent below 1982's, at 3.2 million tons. Of that, wheat accounted for 1.97 million tons; durum wheat, the most important variety, accounted for 1.24 million tons; the remainder was soft

Composition of Moroccan Wheat Consumption

Million tons



bread wheat. In 1983, barley output was 1.2 million tons and corn production (most of which is done under irrigation) increased slightly to 261,000 tons. Morocco's developing poultry industry was stressed, in turn, because of higher prices for imported corn. Flocks were reduced and barley substituted for feed as much as possible. Because of the drought, irrigated perimeters were reduced to 50 percent of normal capacity, and production of irrigated crops, such as sugarbeets and citrus, declined.

Subsidy Cuts Ameliorated by Wage Increases

Because of rioting which followed a cut in subsidies in the summer of 1981, cuts in August 1983 were buffered with the simultaneous announcement of a 20 percent increase in the minimum wage. This was designed to compensate the urban poor, whose real incomes would suffer most from the lifting of subsidies. The measures raised the consumer price of sugar 19 percent, cooking oil 33 percent, butter 67 percent, and flour 13 percent; this, in turn, effected a 22 percent increase in the price of bread. Rumors of a second set of price increases in January set off riots in the northern Rif region of Morocco, where several people were killed. Calm returned after the King promised not to raise prices.

EC Expansion Worries Exporters

The coming incorporation of Greece, Portugal, and Spain into the EC is of major concern for Morocco. These three nations compete directly with Morocco as exporters of citrus fruit, fresh and prepared vegetables, and, in the case of Spain, fish and seafood. For Morocco, fruit and vegetable exports have accounted for 20 percent of foreign exchange earnings in recent years. Because of the droughts, Moroccan citrus exports have fallen from 900,000 tons in 1981 to 600,000 tons for 1982 and 1983. Higher citrus prices in 1983 helped to offset some of the decline in quantity. Potato exports were up sharply, reaching 39,000 tons, but tomato sales—Morocco's most important vegetable export—were off 30 percent to 64,000 tons; trade restrictions in the EC accounted for the drop. Morocco's warm winter climate, low labor costs, and proximity to Europe will most likely allow it to remain a primary supplier of off-season fresh vegetables and fruit to Western and Eastern Europe, edging out Brazil, Mexico, and Israel.

Grain Imports Rise Sharply

Morocco's large foreign debt has made credit the critical determinant of grain market shares. Grain imports in 1983/84 are expected to range from 2 to 2.5 million tons—mostly wheat—up sharply from the 1.3 million tons imported in 1982/83. The 1.3 million tons were far below the 1.8 million required, probably because of the scarcity of foreign exchange and in the hope that 1983 would bring a good harvest. However, the low import level and the poor harvest are forcing higher wheat imports in 1983/84 and probably for 1984/85 as well. The amount will depend on what Morocco can afford and on the level of external financing. The United States has offered \$244 million of blended credit, which should cover 1.5 million tons of wheat. In 1983, the United States supplied about 77 percent of Morocco's imported

wheat and 100 percent of the imported corn. This is in contrast to 1981, when France supplied 75 percent of the wheat. Blended credit was the main reason for the increase in the U.S. share. In 1982, U.S. agricultural exports to Morocco were valued at \$161 million, with wheat accounting for \$115 million.

1984: Another Year of Drought

The 1984 crop seems to be following the same course as 1983. Beneficial rains in November helped planting, but virtually no rain has fallen since December. Spring rains may salvage grains in the northern growing regions, but south of Casablanca and Beni Mellal the situation is very bleak. Three years of dry weather does not bode well for other crops either. Rainfed areas are drought stressed leaving them vulnerable to erosion; livestock herds have been reduced; and reservoirs stand at very low levels, which could further contract irrigated area. The water shortages experienced in Tangier and other cities are likely to recur in 1984. (*David W. Skully*)

Tunisia

Recession and Drought Force Austerity

Droughts and the prolonged recession in Europe have given the Tunisian economy 2 years of slack performance. Tunisia's real GNP recorded a 4.3 percent increase in 1983, down from the 6 percent average annual growth rate achieved during 1977-81. Monetary expansion was 17 percent in 1983—slightly slower than in recent years. Price controls on staples kept inflation to 11 percent. Agricultural production declined as heavy fall rains disrupted planting and drought during the spring, giving Tunisia its second year of short wheat crops. Tunisia's balance of trade has continued to deteriorate as lower tourist revenues and the soft hydrocarbon and phosphate markets have not been able to cover the volume of imports, boosted because of the drought. The trade deficit for 1983 is estimated at \$1.3 billion.

Price Increases Cause Bread Riots

A goal of Tunisia's Sixth Development Plan (1982-86) is to cut consumer subsidies and increase price incentives to agricultural producers. In 1982, many markets were liberalized, raising prices and alarming unions. Strikes in late 1982 brought back the costly food subsidies and initiated price controls. The short grain harvest of 1983 raised the subsidy cost further. In December 1983, faced with a growing trade and budget deficit, the Government announced an average 85 percent increase in the price of wheat and wheat products. This precipitated a week of rioting, which ended on January 6, 1984, when President Bourguiba restored the subsidies. A new pricing policy is expected to be announced in April 1984, when the Tunisian Parliament assembles.

Grain Output Declines, But Outlook Favorable

Poor weather dominated the 1983 grain crop. High producer prices had been announced in time for planting and a major supply response was anticipated. However, heavy rains in the fall of 1982 disturbed planting, and unseasonably dry weather in February and March retard-

ed grain development. Total grain production was one-third off from 1982: 921,300 tons versus 1.26 million tons. Durum wheat—the major grain—dropped from 753,000 tons to 509,500 tons; soft wheat dropped one-third to 108,800 tons; barley fell 10 percent to 303,000 tons.

Tunisia's growing poultry and livestock sector was hard hit by the removal of feed subsidies. Corn and soybean meal prices increased over 170 percent. Meat prices, previously controlled, were freed, but strong union protests caused the Government to import subsidized French poultry and eggs to keep consumer prices down. Prospects for the 1984 grain crop are very favorable; rains have been plentiful and higher producer prices have been

announced. The durum price is up 9 percent; soft wheat 20 percent; and barley 5 percent. Large increases in olive and fruit production are also anticipated.

Grain Imports and Food Aid Increase

The 1983 drought added imports of 100,000 tons of wheat, raising imports to 600,000 tons, split roughly between bread wheat and durum. Tunisia's growing livestock and poultry industry is a major user of feed grains. Corn imports, all from the United States, are anticipated to reach 300,000 tons in 1984. Concern over the January riots caused France to allocate \$63 million aid for the purchase of French agricultural exports, which include approximately 40,000 tons of grain. (*David W. Skully*)

Subsidies, Deficits, and Debt in North Africa

David W. Skully

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Abstract: The world recession, which began in 1979, reduced export earnings and increased the burden of debt, forcing fiscal austerity in the North African countries of Morocco, Algeria, and Tunisia. Reduction of food subsidies, especially of bread and wheat, has been a common objective which has been politically difficult to achieve.

Keywords: Food policy, food subsidies, pricing policy, North Africa, debt, food riots, Morocco, Algeria, Tunisia, wheat consumption.

During the week of January 1, 1984, following a virtual doubling of the price of bread and flour, riots broke out in cities across Tunisia. At least 84 people died and over 938 were wounded. Three weeks later, an increase in gasoline prices in Morocco led to rumors that food subsidies, which had been cut as recently as July 1983, would be further reduced. This set off riots in the northern coastal cities, leaving at least 29 dead and an undetermined number wounded.

Food riots in this region are likely whenever the supply of food to an urban population is disrupted. However, riots are rarely due simply to shortages or high prices; rather, they provide a focal point for the release of deep-rooted social tensions. In Morocco and Tunisia, riots occurred among those who had not benefited from the economic growth of the 1970's and those who had suffered most from the droughts and recent recession. In Tunisia, this includes the cities of the arid southern region and the growing *bidonvilles* (shantytowns) of the northern cities, where many of the rural poor have migrated. In Morocco, the mountainous Rif region—always defiant of the Government—has suffered 5 years of poor rain and falling incomes; during the last year, the tightening of borders with the Spanish enclaves of Melilla and Ceuta has restricted legal and illegal trade.

Because food prices are so politically sensitive, govern-

ments prefer to keep them as low as possible. In the mid-1970's cheap food policies were an affordable option in North Africa, but, now, with declining export earnings, subsidy programs are an expensive legacy and economic and demographic trends are forcing changes.

The economic trends, during the late 1970's, were characterized by loose monetary and fiscal policies, financed by foreign borrowing allowing a high rate of real income growth. Between 1970 and 1980, Morocco's real GDP increased at an average annual rate of 5.2 percent; Algeria's at 6.9 percent; and Tunisia's at 7.3 percent. During the same period, personal consumption rose at an annual average rate of 4.3 percent in Morocco, 9.2 percent in Algeria, and 9.0 percent in Tunisia. The bulk of the growth occurred in the latter half of the decade. The recent world recession has cut consumption growth, and preliminary figures for Morocco suggest that per capita real incomes even dropped in 1983.

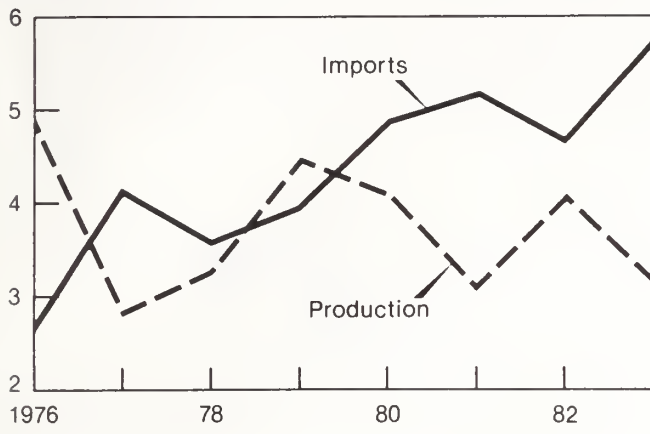
The demographic trends across North Africa are characterized by dropping mortality rates and climbing birth rates. Algeria has one of the world's highest birth rates, 3.7 percent annually, Morocco 3.5, and Tunisia 2.8.

The impact of economic and demographic trends on wheat consumption is illustrated in figure 1. Wheat consumption, rising steadily, reached almost 9 million tons

Figure 1

Wheat Imports and Production in Morocco, Algeria, Tunisia

Metric tons (millions)



in 1983. On the other hand, production has not fared well because of droughts in 1977, 1981, and 1983. Imports have had to fill the gap, exceeding 5.7 million tons in 1983.

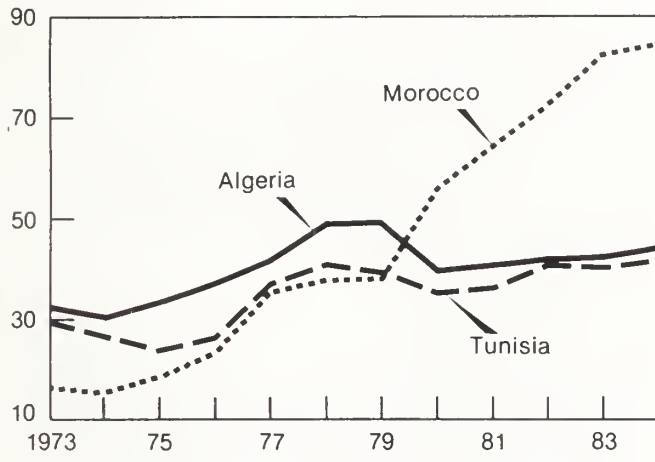
The mid-1970's were a boom period in North Africa: Phosphate prices skyrocketed and Morocco and Tunisia—major exporters—benefited handsomely. At the same time, the oil price increases meant riches for Algeria and, to a lesser extent, Tunisia. Consequently, all three countries embarked on ambitious industrial investment programs. However, of the three, Morocco was the only country to divert significant investment into rainfed agriculture. Algerian agricultural investment was trivial during this period.

In 1976, phosphate prices began to decline and have yet to recover. In 1982, oil prices began to decline in real terms, finally forcing austerity on Algeria in 1983. The impact has been harder on Tunisia as more of its production is being consumed domestically, cutting exports.

Figure 2

External Debt as Percentage of GDP

Percent



As foreign exchange earnings have dropped because of the recession, nations have had to restrict imports—or go deeper into debt. And as wheat is the main item in North African diets, there is little choice but to cover production shortfalls with imports. Consequently, wheat imports are taking up an increasing portion of the foreign exchange available for purchasing capital goods, spare parts, and other items necessary to sustain economic growth. In short, maintaining stable per capita wheat consumption is carried out at the cost of lower investment. The subsidy programs that these three countries maintain add to the cost. Although differing in their particulars, the end result is the same: cheap bread and wheat products are made available to the entire population. However, such policies are unnecessarily costly as they involve income transfers to the rich and middle classes as well as to the poor. Targeted subsidy policies, which supplement the income or diet of only the poor, are much more efficient—although they may be more difficult to administer.

Morocco: Debt Absorbs Foreign Exchange

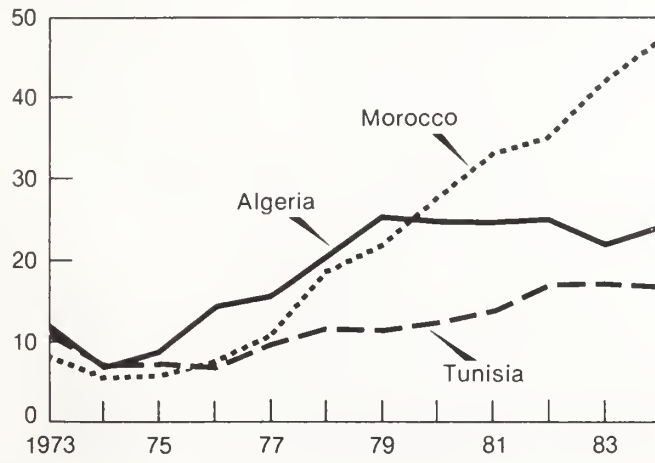
In figures 2 and 3 the debt situation for these three North African nations is illustrated. Morocco is the most seriously burdened. Even on a world scale, Morocco's debt is impressive. Journalists have focused on Brazil and Mexico, which have debts of \$90 and \$85 billion, ignoring Morocco's \$11 billion. However, as a proportion of GDP—the critical factor in assessing the long-term burden of debt—Morocco's debt/GDP ratio, prior to rescheduling, approached 80 percent in 1983, while the ratios for Brazil and Mexico are below 35 percent. Similarly, the ratio of debt service payments to foreign exchange earnings—an indicator of the short-run debt burden—for all three countries has risen substantially since the beginning of the recession.

The Moroccan situation was so critical in 1983 that the International Monetary Fund (IMF) convened a conference of major creditors for coordinating the rescheduling of Morocco's debt—the first conference of its kind. In order for a nation to receive emergency financing for balance-of-payments adjustments and debt rescheduling, the IMF can demand "conditionality." This means the government must make policy changes to improve its

Figure 3

Debt Service Ratios

Percent



long-run external financial position: the nation has little choice but to comply or to find itself cut out of international trade. Thus, despite high political costs, in July of 1983, Morocco made many cuts in its food subsidies. To cushion the impact of price increases on poorer families, a 20 percent increase in the minimum wage was announced. Also part of IMF conditions was a 26 percent cut in the government budget, a devaluation of the dirham, and the tightening of import restrictions.

More cuts in the subsidies were expected in 1984. However, after the reduction of petroleum price subsidies in January 1984 and the subsequent riots, King Hassan II promised not to raise the prices of essential food items. The Moroccan Finance Ministry estimates that this will cost an additional \$250-\$315 million in 1984. Based on speeches the King has made so far this year, it appears that Morocco is moving towards some form of targeted subsidy program. A survey of poverty, commenced in January 1984, aims to identify poor families so as to make them the beneficiaries of income transfers. The King, who is also the religious leader of the Nation, appealed to *zakat*, a Muslim concept of charity: "The strong must support the weak." Simultaneously, he initiated a nationwide crackdown on hoarding and speculation by wholesalers and retailers. Many arrests have been made, and high fines and sentences imposed. This has been an excellent public relations campaign and has demonstrated—at least for the short run—that the Government is concerned with the welfare of the poor; however, these sentiments are not likely to remedy Morocco's budgetary and external position.

Tunisia: Grain Subsidies Exceed Budget Deficit

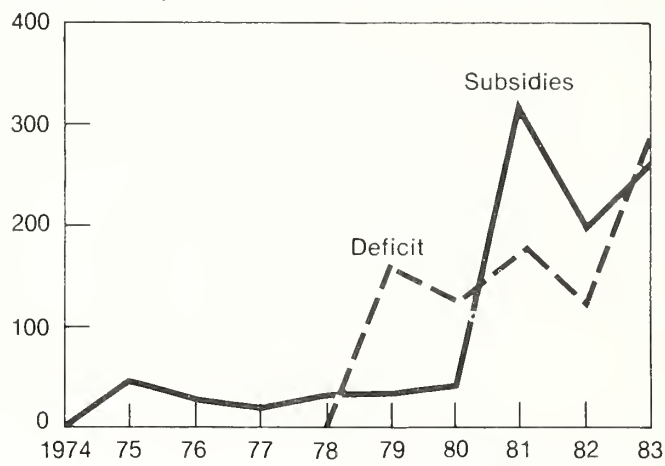
Tunisia has been a beneficiary of considerable direct investment from the Persian Gulf—particularly Saudi Arabia and Kuwait. As the financial situation in these countries has deteriorated because of the recession, the capital inflow has slowed, but the Tunisian situation is not yet critical. However, the 1983 drought was a cruel blow to the balance of payments. Wheat imports in 1983/84 exceeded 1 million tons. The Tunisia Price Stabilization Fund, which acts as a buffer between world and domestic wheat prices, has kept consumer bread and wheat product prices unchanged since 1980. The droughts of 1981 and 1983 raised gross expenditures on cereal subsidies above \$250 million.

This rise is illustrated in figure 4, with subsidy expenditures now exceeding the Government's budget deficit. The subsidies are a conspicuous fiscal strain and have been under attack inside the Government since 1981. Late in 1982, feed grain subsidies and price controls on meat products were removed, but this precipitated a violent reaction from the Tunisian National Confederation of Unions (UGTT). Following strikes, the Government capitulated by replacing the price controls and increasing wages, which further burdened the budget. A series of gradual price increases on wheat products was considered during 1983, but the drought and a promise by a government minister that prices would not be raised that year delayed implementation until New Year's Day, 1984. The abrupt doubling of wheat prices precipitated a week of riots; order was restored only after President Bourguiba reinstated the subsidies. There is no simple resolution to the Tunisian subsidy dilemma, and discus-

Figure 4

Tunisian Cereal Subsidies and Budget Deficit

Million dollars



sion of price increases has been delayed until April, when Parliament convenes. Recent official speeches indicate the Government favors moving towards a target subsidy system, that is, compensating poor families for the effects of the eventual price increases. As unemployment is currently estimated at over 25 percent, compensation by means of wage increases results in a transfer payment to the middle classes, not to the poor. The core of the powerful UGTT remains adamant in its demands for higher real wages; a second faction is sympathetic with the Government's concern for cutting expenditures and keeping wages and costs production of exports competitively low. The struggle between the Finance Ministry and the unions continues.

Algeria: Subsidy Cuts To Improve Marketing

Of the three North African nations, Algeria has succeeded in making the most dramatic subsidy changes; ironically, it has the least financial need to do so. While the dip in export earnings in 1983 forced some short-term austerity, Algeria remains a very wealthy country compared with its neighbors: it has a per capita income of over \$2300 and sufficient oil and gas resources to insure real per capita growth for the remainder of the century. Even with reduced subsidies, subsidy expenditures remain formidable—an estimated \$1.5 billion in 1983. The price increases announced in August 1983 covered bread, cooking oil, and eggs. Bread prices increased 50 percent—the staple 300-gram baguette now costs 19 cents versus an estimated production cost of 23 cents. Algeria has not experienced any of the unrest of its neighbors, but shortages, long lines, and the high prices of uncontrolled products have been the cause of occasional wildcat strikes. The primary motive behind the subsidy cuts appears to have been improving the supply of consumer essentials. Although all international trade is in Government hands, most retail trade in Algeria is privately run, and inflation has eroded the margin on controlled-price baguettes. Consequently, bakers have diverted their production from baguettes into bakery goods, which are not price-controlled. As in Morocco and Tunisia, Algeria raised low-income salaries 10 percent to cushion the effect on poor families.

High prices are also part of a policy to have retail prices reflect the cost of production. While government revenues have been sufficient to cover the difference between subsidized consumer prices and producer prices, the administered price system has not stimulated domestic grain production. Because of this, Algeria has overturned its policy of neglecting agriculture. Since 1980 the terms of trade between agriculture and manufactured goods have moved in agriculture's favor: investment is now

being channelled into agriculture. Unlike Morocco and Tunisia, forced by financial pressures to change policies, Algeria has seen the handwriting on the wall and is acting before the situation becomes desperate. Algeria's production was stagnant during the 1970's, and its annual food import bill is approaching \$3 billion. Low rural incomes have pushed more families toward the urban areas, exacerbating the gap between production and consumption.

The Food Market in Selected Middle Eastern Countries: Performance and Prospects

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Abstract: In the 1970's, sharply higher export earnings dramatically increased food imports by the Middle Eastern and North African countries. In the 1980's, export earnings declined sharply, but food imports continue to increase, with food subsidies playing a major role. Even with no economic recovery, import dependency is expected to continue. Efforts to increase agricultural output will not be sufficient to reduce import dependency.

Keywords: Export earnings, food imports, food subsidies, pricing policies, North Africa, the Middle East.

Over the last decade, beginning with the 1973/74 oil price hike, food imports by the North African and Middle Eastern region increased dramatically, as export earnings from oil and other commodities soared. Within the last 3 years, this region's foreign exchange earnings plummeted, but food imports did not decline. On the contrary, food imports increased, although at a slower pace, and they are likely to continue to increase over the next decade.

Roots of Food Import Expansion

The dramatic expansion of food imports came during the commodity boom of the 1970's. Oil-exporters—such as Algeria, Iran, Iraq, Saudi Arabia, Libya, and, to a lesser degree, Egypt and Tunisia—saw export revenues rise dramatically as oil prices quadrupled, while a record phosphate price increased Morocco's and Tunisia's export earnings. Higher oil prices indirectly raised earnings in Tunisia, Morocco, and Egypt, as workers migrated to oil-producing areas and sent home remittances, which accounted for 21 percent, 51 percent, and 89 percent, respectively, of the 1981 merchandise trade of these countries. At the end of the 1970's, average real GDP growth increased much faster than population growth, except for Iran, Iraq, and Libya (table A). Growth in Iran was reduced after the 1978 revolution, as the economy faltered, and the war with Iraq hampered economic recovery. The war has also hurt Iraq's economic perfor-

mance. Libya remains prosperous; its low economic growth since 1970 is because of its policy of reducing oil production to conserve supplies. Production of oil fell from 3.3 mbd in 1970 to 1.8 mbd in 1980.

Increased income raised expectations, both for governments (expecting the additional revenue to be permanent) and for the countries' populations. Increasing food imports was a rapid and effective way of demonstrating economic prosperity and meeting the population's rising expectations. The fact that the governments were major economic actors in most countries shaped the handling of food imports. First, government agencies expanded their handling of imports. However, long bureaucratic decision-making channels reduced procurement efficiency, and rigidities often made it impossible for importers to take advantage of lower prices by making timely purchases. Furthermore, in order to prevent political unrest, import levels were often higher than required. Second, increased imports became institutionalized in complex subsidy systems. Prices for staple foods, especially bread, were kept constant or increased only slightly since the 1940's in countries such as Iran, Egypt, Morocco, and Tunisia: This meant substantial increases in subsidies during the 1970's, affecting relative food prices, shifting consumption patterns in favor of subsidized foods, and contributing to larger import requirements. Such subsidy systems were politically important to distribute new wealth more

Table A.—Key economic indicators: Annual average growth rates, 1970-81

Country	Average GDP	Inflation	Agricultural production	Population	Urbanization
			Percent		
Egypt	8.1	11.1	2.6	2.8	2.9
Morocco	5.2	8.2	1.9	3.1	4.6
Tunisia	7.3	8.2	5.5	2.3	4.0
Algeria	6.9	13.4	2.1	3.3	5.6
Libya	2.3	17.3	9.1	4.1	8.1
Iran	2.5	20.1	2.5	3.1	5.0
Iraq	12.1	14.1	3.4	3.4	5.3
Saudi Arabia	10.6	24.3	5.3	4.5	7.4
Syria	10.0	12.0	8.2	3.7	4.6

SOURCE: World Development Report 1983, World Bank, Oxford University Press.

Table B.—Growth of commodity trade

Country	Total exports		Total imports		Food imports
	1960-70	1970-81	1960-70	1970-81	1970-81
			Percent		
Egypt	2.9	13.1	1.7	24.5	27.7
Morocco	3.3	15.2	5.2	17.0	18.8
Tunisia	4.3	26.8	4.8	26.3	18.2
Algeria	9.9	25.1	1.0	21.4	25.2
Libya	72.7	16.8	12.6	35.3	21.7
Iran	13.1	12.6	11.5	20.1	35.7
Iraq	6.1	25.6	2.7	38.8	33.4
Saudi Arabia	11.1	43.1	11.7	42.6	28.7
Syria	6.0	23.7	4.2	27.4	17.4

SOURCE: International Financial Statistics, International Monetary Fund Publications.

broadly than the economic system would assure: These subsidy systems helped to diffuse potentially destabilizing reactions to new, obvious demonstrations of affluence during a period of rapid economic change. While initially focused primarily on urban areas, subsidy programs were part of a growing collection of financial and administrative services that became increasingly available to urban migrants.

Food subsidy programs responded to, and encouraged, rural-urban migration. With skilled workers migrating, less skilled labor was left in rural areas. The cumulative effect was to accelerate urban-rural income disparities. As urban income grew, investment in Iran, Egypt, Morocco, and Tunisia consistently favored industry and construction in urban areas. Urban overinvestment attracted resources, especially agricultural labor from rural areas.

The increase in food imports made countries in this region far more dependent on international markets to sustain politically important consumption patterns (table B). By early 1981, Egypt, Algeria, Libya, and Iraq depended on imports to supply half of their staple grain consumption, with urban consumption even more import dependent.

Agriculture Growth Lagging

Lagging agricultural growth combined with rapidly expanding food demand fueled food imports. The major problem facing all countries in this region is the low productivity of their agricultural sectors: Despite recent injections of capital, the agricultural sector's contribu-

tion to GDP declined in the 1970's, ranging in 1981 from 21 percent in Egypt to about 1 percent in Saudi Arabia. The level of agricultural productivity is low, especially compared with the size of the labor force engaged in farming. In 1981, in Libya and Algeria, 20-25 percent of the working-age people (15-64 years) had jobs in agriculture. In other countries this ratio was more than 35 percent, reaching a high of 60 percent in Saudi Arabia, which was evidence of large inter-sectoral (agriculture versus industry and services) income disparities.

In most countries of this region, agricultural production is dominated by traditional, small-scale farmers, who face a combination of physical, economic, and policy constraints. Rainfall is erratic and inadequate, except in Egypt where all cultivated area is irrigated. In Saudi Arabia, Libya, Iran, and Iraq, 30-40 percent of the arable land is irrigated. In Morocco, Tunisia, Syria, and Algeria, irrigation covers less than 10 percent of the arable land. In all these countries, the possibility of expanding the cultivated area is limited. Based on the United Nations Food and Agricultural Organization (FAO) data, the forecast for increased total arable land in the region is about 2 percent per year until the year 2000. Therefore, the major increase in production must come from higher yields.

Because of the political sensitivity of providing adequate food and trying to remove the uncertainty facing farmers, governments have become involved in a whole array of policy activities such as setting commodity prices, purchasing commodities, distributing inputs at subsidized prices, and providing subsidized credit. Crop intensification seemed an essential way of increasing agricultural

Table C.—Input use, 1970 and 1981

Country	Fertilizer use kg per ha		Tractor use per 1000 ha		Labor use per ha	
	1970	1980	1970	1980	1970	1980
Egypt	128	248	6.3	9.3	1.8	2.2
Morocco	130	335	1.7	3.4	.3	.4
Tunisia	82	135	6.5	10.6	.2	.2
Algeria	174	320	.1	6.4	.3	.3
Libya	64	374	.2	8.0	.03	.02
Iran	76	359	1.3	3.8	.3	.3
Iraq	35	169	2.8	4.2	.2	.3
Saudi Arabia	44	352	.8	1.2	1.3	1.3
Syria	67	220	1.6	5.3	.2	.2

SOURCES: FAO Production Year Books and World Development Report 1983.

Table D.—Food self-sufficiency ratio for major food items, 1970 and 1981

Country	Cereals		Vegetable oil		Meat		Sugar	
	1970	1981	1970	1981	1970	1981	1970	1981
	<i>Percent</i>							
Egypt	81	49	56	32	94	75	100	52
Morocco	94	60	51	16	100	100	36	55
Tunisia	61	54	100	99	98	84	10	0
Algeria	73	40	26	11	97	87	0	0
Libya	25	20	42	28	60	30	0	0
Iran	98	66	33	11	90	66	100	38
Iraq	91	47	15	4	98	44	0	0
Saudi Arabia	22	7	0	0	38	27	0	0
Syria	73	84	100	90	100	75	17	24

SOURCES: USDA, World Indices of Agricultural and Food Production, 1973-82, and FAO Production Yearbooks and Trade Yearbooks.

production, and input use increased significantly during the 1970's (table C). However, the return to inputs declined over time. This was because governments—mostly motivated by political considerations—failed to provide timely inputs, credit, and marketing facilities. Shortages of agricultural and water engineers, as well as mechanics to service machinery, hampered progress in Egypt, Iran, Iraq and Algeria. In all countries, limited national agricultural research, training, and extension services have been bottlenecks to production growth. Emphasis has also been placed on increasing livestock output. However, inadequate feed supplies and animal disease—which in most cases threaten imported breeds—have increased the investment risk, especially for commercial livestock enterprises.

The inefficiency of food production forced countries to become far more dependent on international markets for imports of politically important basic foods. Between 1970 and 1981, the region's self-sufficiency ratio fell from 86 percent to 41 percent for cereals, from 57 to 28 percent for vegetable oil, from 51 to 30 percent for sugar, and from 74 to 60 percent for meat (table D).

Lower Export Earnings

The recent worldwide recession affected most of the countries in the region. Between 1981 and 1983, many were faced with dramatically deteriorating export earnings and rising debt levels, as real oil prices declined.*

Positive trade terms and continuous growth forecasts in the early 1970's led the larger oil exporters to commit themselves to ambitious development programs. Now with export earnings down, these countries have to adjust their spending and consumption to the new realities. Food imports, until recently not a major drain on foreign exchange, have begun to compete with investment requirements. In order to discourage runaway consumption, governments are considering decreasing waste, making more efficient use of available resources, and reducing less essential imports. (See "Subsidies, Deficits, and Debt in North Africa" by David W. Skully.)

While some countries face serious debt problems (for example, Morocco) or precarious economic conditions (for example, Iraq), countries in this region have weathered recent economic problems better than many other developing countries. Given their resource endowments, their short-term balance-of-payments problems have not had an adverse impact on their creditworthiness in the international banking system. In addition, these weaker countries do not have to depend exclusively on international financial institutions for necessary funds. Strong cultural, religious, and political links between Middle Eastern Arab countries have stimulated intraregional support. Since the 1974 oil price hike, significant amounts of money have been allocated to development and financial assistance by OPEC countries. For example, OPEC aid flows to Syria have increased since the Israeli invasion of Lebanon, rising from \$2 billion in 1982 to \$2.3 billion in 1983, with both Saudi Arabia and Libya pledging \$1 billion. In 1981, OPEC allocated \$9 billion for development assistance, mainly among countries in the region.

* See country-specific reports for detailed assessments.

Table E.—Projection of production and consumption for major food items, 1994

Countries	Cereals			Vegetable oils			Meat			Sugar		
	Prod. ¹	Cons. ²	Self-suff. ratio	Prod.	Cons.	Self-suff. ratio	Prod.	Cons.	Self-suff. ratio	Prod.	Cons.	Self-suff. ratio
Egypt	8,777	19,409	.45	163	629	.26	694	924	.75	1,050	1,814	.58
Morocco	5,204	11,317	.46	³ 28	287	.10	325	346	.94	647	1,046	.62
Tunisia	3,063	3,139	.98	³ 85	109	.78	205	174	100.00	8	286	.30
Algeria	2,581	8,669	.30	27	350	.08	244	267	.91	NS	915	.00
Libya	506	1,731	.29	55	142	.39	197	288	.68	NS	194	.00
Iran	9,030	17,857	.51	95	423	.22	879	1,120	.79	³ 400	1,595	.25
Iraq	2,800	7,929	.35	³ 5	211	.02	323	646	.50	NS	815	.00
Saudi Arabia	835	7,457	.11	NS	68	.00	591	926	.64	NS	728	.00
Syria	4,762	5,325	.89	263	118	100.00	195	259	.75	250	463	.54

¹Production projections are based on the continuation of historical production growth trends. ²Consumption projections are based on population growth estimates, that is, per capita consumption is constant at 1981-83 levels. ³Negative production growth during the 1970's; therefore, production is assumed at constant 1981-83 levels. ⁴NS = not significant.

No Dramatic Change in Future Food Imports

Generally, agricultural policies and government interventions have not been successful enough to substantially improve agricultural performance; this is not expected to change in the near future. At the same time, political concerns reduce the likelihood of dramatic shifts in food and consumption policies, so that food imports are expected to continue. To date, countries in this region have not experienced serious food import declines as other developing countries with financial problems have (for example, Nigeria). Even without a dramatic recovery in export earnings, these countries will continue to increase their food imports, albeit at a slower rate.

What are the future implications of current agricultural policies? Domestic food supply will grow at the same rate as in the 1970's. For major staple food items, population growth alone will ensure that demand increases at a faster rate than domestic production. Income growth—although uncertain—could add to further increases in demand. The forecast of average population growth in the next decade is about 3 percent. The future income growth of the region depends mainly on world economy performance. The decline in the oil price since

1981 has reduced the pace of energy conservation and production of other energy sources. The demand for energy is expected to grow by the late 1980's, with world economic recovery. However, the volume of oil consumption is unlikely to grow at the rate achieved during the 1970's, as coal, electricity, and natural gas substitute for the increase in energy consumption. Under these circumstances, the region's overall economic growth is expected to be moderate, forecast at about 2 percent per capita income growth.

Even with zero or negative per capita income growth, the food gap is not likely to decline drastically (table E). With expectations already established and commitment to a system of food subsidy continuing, significant budgetary reductions are not practical and might cause internal backlashes. Therefore, governments are likely to maintain per capita consumption of major food items, at least at the level of 1981-83. If the price of imported food rises or if the supply of foreign exchange falls, little if any adjustment will take place in the budget allocation for food imports. If adjustments are made, only a minor reduction in quantity is expected, mostly of high value food products (which are more income elastic than staple foods). Usually, foreign exchange fluctuations are channeled to other than the agricultural sectors by reducing imports of capital goods.

LIST OF TABLES

1. The United States: Total trade with the Middle East and North Africa, by value, annual 1980-83	29
2. The Middle East and North Africa: Total agricultural trade with region by the EC and the United States, 1981-83	29
3. The United States: Agricultural exports to the Middle East and North Africa, by value for selected items, annual 1982 and 1983	30
4. The United States: Agricultural exports to the Middle East and North Africa, by quantity for selected items, annual 1982 and 1983	30
5. The Middle East and North Africa: Imports of grains, annual 1981-82 and estimate for 1983	31
6. The Middle East and North Africa: Production of selected agricultural commodities, by country, average 1969-71, annual 1981-83	31
7. The Middle East and North Africa: Indices of agricultural and food production, total and per capita, by country, 1979-83	inside back cover

Table 1.—The United States: Total trade with the Middle East and North Africa, by value, annual 1980-83

Country	Exports				Imports			
	1980	1981	1982	1983	1980	1981	1982	1983
<i>Million dollars</i>								
Saudi Arabia	5,769	7,123	9,026	7,906	13,468	15,237	7,443	3,627
Kuwait	886	929	941	741	521	91	40	130
UAE	998	1,057	1,085	856	3,164	2,102	2,032	510
Qatar	129	148	140	105	250	120	106	11
Bahrain	198	294	219	135	17	38	31	23
Oman	95	180	173	175	363	369	334	360
PDR Yemen	7	6	8	7	19	1	1	1
YAR	77	44	38	108	1	1	1	1
Iran	23	300	121	190	478	66	585	1,130
Iraq	724	913	511	512	482	167	39	59
Syria	239	143	138	112	28	87	10	8
Lebanon	303	293	292	483	34	20	19	17
Jordan	407	716	618	430	3	2	7	5
Israel	2,045	2,426	2,171	2,016	978	1,280	1,164	1,255
Turkey	540	771	866	783	187	276	274	320
Cyprus	70	85	86	54	7	5	3	15
Egypt	1,873	2,146	2,875	2,813	572	412	547	302
Libya	509	811	301	191	8,905	5,476	512	1
Tunisia	174	222	213	216	63	12	59	33
Algeria	542	717	909	594	6,881	5,208	2,673	3,551
Morocco	344	428	396	440	41	41	45	31
Total	15,952	19,042	21,120	18,867	36,462	31,011	15,925	11,390

SOURCE: Bureau of the Census.

Table 2.—The Middle East and North Africa: Total agricultural trade with the region by the EC and the United States, 1981-83

Importer	Total agricultural imports			EC agricultural exports			U.S. agricultural exports		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
<i>Million dollars</i>									
Egypt	3,867	3,496	3,887	653	650	785	967	803	970
Morocco	1,087	1,196	1,027	446	358	482	158	161	208
Algeria	2,429	2,500	2,600	760	884	1,054	291	167	211
Tunisia	594	580	680	277	223	260	83	81	114
Libya	1,483	1,340	1,515	773	487	410	14	12	6
Turkey	310	290	230	72	36	60	128	65	35
Syria	803	676	625	244	204	260	35	48	19
Israel	1,053	901	905	167	168	171	356	353	307
Lebanon	685	620	600	210	239	254	95	54	55
Jordan	603	610	550	154	148	165	65	73	79
Iraq	2,302	2,535	2,900	476	578	626	125	132	342
Iran	3,473	3,600	3,900	790	660	795	248	30	1
Saudi Arabia	5,670	6,082	6,400	1,125	1,157	1,210	466	500	446
Kuwait	1,300	1,470	1,580	199	234	280	60	36	69
UAE	1,200	1,167	1,300	239	211	224	59	56	58
Qatar	228	195	224	39	48	51	5	6	7
Bahrain	218	205	229	52	58	64	10	9	11
Oman	300	337	381	56	65	70	7	5	10
PDR Yemen	228	259	285	70	85	91	1	2	1
YAR	600	770	803	159	203	238	17	18	73
Cyprus	184	210	204	103	100	102	39	41	21
Total	28,617	29,039	30,375	7,053	6,796	7,652	3,229	2,651	3,044

SOURCES: Bureau of the Census, 1982 FAO Trade Yearbook, UN Trade Runs for EC countries, and ERS estimates.

Table 3.—The United States: Agricultural exports to the Middle East and North Africa, by value for selected items, annual 1982 and 1983

	Total agriculture		Wheat and flour		Rice		Corn		Vegetable oils	
	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983
<i>1,000 dollars</i>										
Saudi Arabia	500,140	445,861	94,271	74,539	163,108	145,972	3,676	2,468	27,115	40,604
Iraq	132,050	342,455	27,031	184,020	96,035	111,296	0	7,696	480	0
UAE	56,147	58,139	219	269	5,660	2,463	5,358	3,872	2,290	3,853
Kuwait	36,074	69,016	11	16,586	3,870	10,446	0	3,028	2,854	3,590
Algeria	166,637	211,104	80,164	104,791	55	27	34,050	49,008	3,244	11,570
Libya	11,741	5,928	0	0	1,639	11	0	0	19	0
Qatar	5,922	7,421	66	569	410	2,029	628	0	472	665
Iran	30,181	1,230	4,805	0	16,650	0	5,508	0	0	0
Egypt	803,386	969,783	394,805	489,017	29	6	136,157	205,844	92,460	56,750
Morocco	161,010	208,461	117,655	175,377	19	7,244	12,449	3,894	5,689	5,030
Tunisia	81,038	114,183	45,220	77,970	97	36	34,815	32,012	64	2,982
Lebanon	53,502	55,427	9,670	12,569	784	890	12,195	18,605	1,784	2,682
Syria	47,979	18,564	8,081	14	0	0	23,577	10,735	24	113
Jordan	72,855	79,071	37,377	49,127	8,645	4,535	15,707	7,306	3,100	7,700
Bahrain	8,702	11,241	12	18	198	198	0	9	661	943
Oman	5,295	9,677	0	619	118	107	0	772	69	510
PDR Yemen	1,731	880	0	0	1,174	151	0	623	0	0
YAR	17,808	73,334	983	54,667	12,622	13,497	1,099	1,512	128	0
Israel	352,769	306,769	94,358	62,744	3,103	121	55,457	50,363	1,193	1,264
Turkey	64,721	34,686	40,432	0	3,686	9,320	5,871	0	165	6
Cyprus	41,364	21,004	7,671	3,260	113	127	7,023	3,926	66	64
Total Mideast & North Africa	2,651,052	3,044,234	962,831	1,306,156	318,015	308,476	353,570	401,673	141,877	138,326

SOURCE: Bureau of the Census.

Table 4.—The United States: Agricultural exports to the Middle East and North Africa, by quantity for selected items, annual 1982 and 1983

	Wheat and flour		Rice		Corn		Vegetable oils	
	1982	1983	1982	1983	1982	1983	1982	1983
<i>Tons</i>								
Saudi Arabia	479,970	281,692	313,253	281,169	32,699	39,718	16,585	32,306
Iraq	177,814	1,136,635	234,650	281,566	0	57,000	128	0
UAE	721	601	11,558	4,576	32,949	25,243	1,507	3,500
Kuwait	43	101,280	7,330	25,613	0	23,790	2,170	2,652
Algeria	475,911	655,807	95	77	286,152	379,281	5,233	24,477
Libya	0	0	4,725	18	0	0	17	0
Qatar	206	2,108	578	5,178	2,978	0	283	395
Iran	31,820	0	34,750	0	55,534	0	0	0
Egypt	2,288,205	3,339,682	34	6	1,180,716	1,586,165	164,966	96,618
Morocco	797,600	1,254,713	52	26,240	110,612	35,573	9,943	8,839
Tunisia	300,797	493,912	164	105	299,819	242,763	80	6,148
Lebanon	52,040	79,191	1,627	1,031	109,150	140,495	1,342	2,851
Syria	51,147	22	0	0	215,295	82,217	21	78
Jordan	230,774	305,928	22,589	12,058	152,586	61,016	8,533	28,894
Bahrain	46	69	314	338	0	63	442	539
Oman	0	4,372	152	174	0	6,290	45	719
PDR Yemen	0	0	2,364	254	0	3,191	0	0
YAR	4,238	344,405	29,710	30,371	7,497	7,010	170	0
Israel	569,116	392,196	8,754	216	478,470	395,391	1,591	1,031
Turkey	280,199	0	9,450	22,531	50,876	0	300	2
Cyprus	45,910	19,916	141	140	66,575	28,373	54	62
Total Mideast & North Africa	5,786,557	8,412,529	682,290	691,661	3,081,908	3,113,579	213,410	209,111

SOURCE: Bureau of the Census.

Table 5.—The Middle East and North Africa: Imports of grains, annual 1981-82 and estimate for 1983

Importer	Wheat and flour			Rice			Feed grains			Total		
	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983
<i>1,000 tons</i>												
Egypt	5,878	5,692	6,440	1	7	8	1,384	1,214	1,680	7,263	6,913	8,128
Algeria	3,001	2,985	3,200	27	30	31	780	900	975	3,808	3,915	4,206
Morocco	2,483	2,700	1,820	0	0	26	510	540	400	2,993	3,240	2,246
Tunisia	620	800	600	5	6	4	440	500	550	1,065	1,306	1,154
Libya	650	775	665	60	70	55	140	343	365	850	1,188	1,085
Total North Africa	12,632	12,952	12,725	93	113	124	3,254	3,499	3,970	15,979	16,562	16,819
Iran	2,273	1,830	2,220	630	625	650	1,151	1,392	1,550	4,054	3,847	4,420
Iraq	1,358	2,091	2,400	587	426	445	375	413	580	2,320	2,930	3,425
Syria	653	120	380	72	110	80	275	340	100	1,000	570	560
Lebanon	450	360	215	25	27	26	230	225	210	705	612	451
Jordan	470	400	425	37	38	52	150	180	190	657	618	667
Turkey	300	570	49	30	40	28	0	0	186	330	610	263
Israel	506	556	560	50	60	61	1,350	1,200	1,000	1,906	1,816	1,621
Cyprus	75	80	58	4	5	3	170	140	150	249	225	221
Saudi Arabia	937	802	701	492	547	581	2,965	4,702	4,300	4,394	6,051	5,582
Kuwait	225	290	252	110	105	115	200	205	212	535	600	579
UAE	135	170	165	220	230	215	25	54	60	380	454	440
YAR	480	532	570	125	135	145	17	20	27	622	687	742
Qatar	60	57	60	20	30	24	27	30	33	107	117	117
Bahrain	45	28	40	25	35	22	5	10	14	75	73	76
Oman	70	84	89	50	50	133	9	12	16	129	146	238
PDR Yemen	181	197	202	50	60	70	7	16	22	238	273	294
Total	20,850	21,119	21,111	2,620	2,636	2,774	10,210	12,436	12,620	33,680	36,191	36,515

SOURCES: Country trade data and ERS matrix tables.

Table 6.—The Middle East and North Africa: Production of selected agricultural commodities, by country, average 1969-71, annual 1981-83

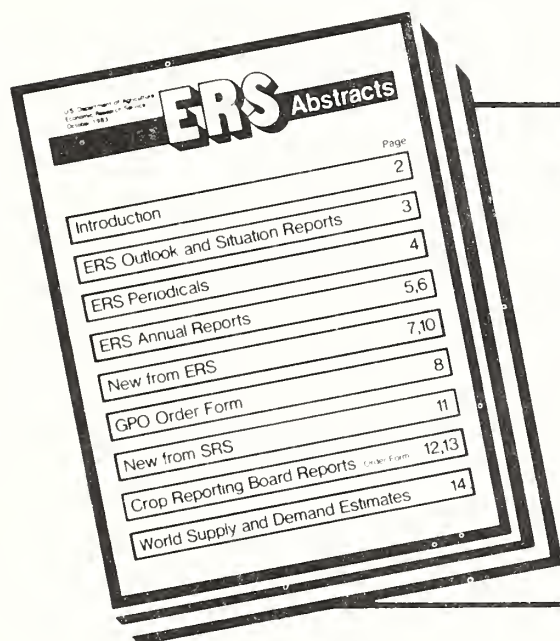
Country and year ¹																	
	Wheat	Barley	Corn	Rice, paddy	Pulses ²	Grapes	Citrus	Dates	Cotton	Cotton- seed	To- bac- co	Sugar, raw	Milk	Wool	Meat		
1,000 metric tons																	
Algeria																	
1969-71	1,359	470	6	4	38	1,166	498	121	—	—	5	—	467	9	110		
1981	1,295	818	1	1	49	261	348	195	—	—	5	—	600	18	145		
1982	980	480	1	1	53	144	476	200	—	—	5	—	575	17	143		
1983	810	381	1	1	46	160	363	195	—	—	5	—	570	18	146		
Egypt																	
1969-71	1,509	92	2,369	2,614	312	108	787	330	520	897	—	471	1,621	3	318		
1981	1,938	103	3,232	2,236	213	298	1,037	391	499	786	—	711	1,982	4	493		
1982	2,017	121	3,347	2,438	266	300	1,430	404	461	738	—	706	2,013	5	510		
1983	2,025	120	3,430	2,441	276	310	1,485	420	410	656	—	746	2,080	5	521		
Libya																	
1969-71	39	70	—	—	—	6	20	57	—	—	2	—	49	—	15		
1981	115	138	—	—	—	15	40	90	—	—	2	—	110	—	53		
1982	160	90	—	—	—	16	43	94	—	—	2	—	112	—	56		
1983	143	90	—	—	—	16	44	90	—	—	2	—	117	—	61		
Morocco																	
1969-71	1,861	2,243	387	31	323	213	812	92	7	14	3	149	532	16	190		
1981	892	1,039	90	12	51	375	977	65	6	10	8	385	780	16	271		
1982	2,183	2,334	247	4	181	350	998	80	6	14	10	350	670	13	256		
1983	1,792	1,136	235	4	68	340	942	74	5	13	8	345	650	16	272		
Tunisia																	
1969-71	450	124	—	—	38	120	76	42	—	—	3	5	156	5	54		
1981	963	270	—	—	73	70	198	50	—	—	5	6	264	9	109		
1982	916	339	—	—	74	73	146	45	—	—	6	5	238	9	118		
1983	580	220	—	—	71	70	148	42	—	—	5	5	228	10	118		
Total North Africa																	
1969-71	5,219	2,999	2,761	2,648	711	1,614	2,193	641	527	911	12	625	2,825	33	688		
1981	5,203	2,368	3,323	2,249	386	1,019	2,600	791	505	796	20	1,102	3,736	47	1,071		
1982	6,256	3,364	3,595	2,443	574	883	3,093	823	467	752	23	1,061	3,608	44	1,083		
1983	5,350	1,947	3,666	2,446	461	896	2,982	821	415	669	20	1,096	3,645	49	1,118		

Continued

Table 6.—The Middle East and North Africa: Production of selected agricultural commodities, by country, average 1969-71, annual 1981-83 (continued)

Country and year ¹	Wheat	Barley	Corn	Rice, paddy	Pulses ²	Grapes	Citrus	Dates	Cotton	Cotton-seed	To-bacco	Sugar, raw	Milk	Wool	Meat
1,000 metric tons															
Cyprus															
1969-71	74	87	—	—	12	189	196	—	—	—	1	—	—	—	—
1981	20	98	—	—	7	210	277	—	—	—	1	—	—	—	—
1982	11	95	—	—	7	195	275	—	—	—	1	—	—	—	—
1983	12	98	—	—	7	200	274	—	—	—	1	—	—	—	—
Iran															
1969-71	3,667	1,067	35	1,095	105	263	257	293	156	324	18	562	1,867	20	244
1981	5,400	1,166	60	1,200	139	530	310	250	87	175	27	400	1,700	16	490
1982	5,550	1,200	58	1,280	136	540	312	280	80	185	28	410	1,600	16	470
1983	5,200	1,100	61	1,260	138	545	320	295	85	192	29	415	1,750	15	500
Iraq															
1969-71	1,080	692	—	268	46	139	37	439	13	28	15	—	1,300	13	107
1981	1,200	600	—	160	68	447	150	430	5	11	10	—	1,600	14	180
1982	965	770	—	165	63	455	152	390	5	15	7	—	1,400	13	160
1983	1,200	700	—	163	55	419	155	393	6	15	5	—	1,378	13	165
Israel															
1969-71	160	18	—	—	—	69	1,279	—	37	57	—	33	480	—	134
1981	147	16	—	—	—	70	1,334	—	92	135	—	15	729	—	262
1982	135	13	—	—	—	73	1,804	—	94	136	—	30	726	—	268
1983	335	35	—	—	—	70	1,452	—	79	126	—	25	757	—	273
Jordan															
1969-71	155	38	—	—	30	41	59	—	—	—	—	—	—	—	—
1981	81	30	—	—	29	70	128	—	—	—	—	—	—	—	—
1982	82	31	—	—	32	71	125	—	—	—	—	—	—	—	—
1983	150	61	—	—	40	72	127	—	—	—	—	—	—	—	—
Lebanon															
1969-71	35	6	—	—	9	94	243	—	—	—	7	17	—	—	—
1981	25	10	—	—	16	145	310	—	—	—	4	8	—	—	—
1982	15	5	—	—	16	140	340	—	—	—	4	12	—	—	—
1983	15	8	—	—	13	138	295	—	—	—	4	10	—	—	—

continued



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Table 6.— The Middle East and North Africa: Production of selected agricultural commodities, by country, average 1969-71, annual 1981-83 (continued)

Country and year ¹	Wheat	Barley	Corn	Rice, paddy	Pulses ²	Grapes	Citrus	Dates	Cotton	Cotton-seed	To-bacco	Sugar, raw	Milk	Wool	Meat
<i>1,000 metric tons</i>															
Saudi Arabia															
1969-71	119	29	5	3	—	16	6	215	—	—	—	—	—	—	55
1981	275	6	29	3	—	66	22	372	—	—	—	—	—	—	125
1982	360	6	30	3	—	72	24	411	—	—	—	—	—	—	139
1983	695	6	25	3	—	74	25	420	—	—	—	—	—	—	158
Syria															
1969-71	763	328	—	—	132	215	—	—	152	247	10	22	—	9	—
1981	2,087	1,406	—	—	188	409	—	—	121	211	12	47	—	17	—
1982	1,556	661	—	—	147	423	—	—	143	249	14	87	—	18	—
1983	1,600	800	—	—	192	450	—	—	180	313	14	100	—	19	—
Turkey															
1969-71	9,000	3,720	1,058	237	577	3,350	644	—	441	705	155	543	4,318	47	529
1981	13,200	5,900	1,200	308	865	3,260	1,092	—	488	780	177	1,400	5,608	62	723
1982	13,800	6,400	1,360	323	1,207	3,270	1,094	—	489	782	211	1,700	5,750	63	745
1983	13,300	5,400	1,200	338	1,251	3,300	1,000	—	520	835	226	1,500	5,624	64	775
Total Middle East															
1969-71	15,054	5,985	1,098	1,603	911	4,377	2,720	947	800	1,361	206	1,177	7,965	89	1,068
1981	22,435	9,232	1,289	1,671	1,312	5,207	3,623	1,052	793	1,312	231	1,870	9,637	109	1,780
1982	22,474	9,181	1,448	1,771	1,608	5,239	4,126	1,081	811	1,367	265	2,239	9,476	110	1,782
1983	22,207	8,208	1,286	1,764	1,696	5,268	3,648	1,108	870	1,481	279	2,050	9,509	111	1,871
Total North Africa & Middle East															
1969-71	20,272	8,984	3,859	4,251	1,621	5,991	4,912	1,588	1,326	2,272	218	1,802	10,789	122	1,755
1981	27,638	11,600	4,612	3,920	1,698	6,226	6,223	1,843	1,298	2,108	251	2,972	13,373	156	2,851
1982	28,730	12,545	5,043	4,214	2,182	6,122	7,219	1,904	1,278	2,119	288	3,300	13,084	154	2,865
1983	27,857	10,155	4,952	4,210	2,157	6,164	6,630	1,929	1,285	2,150	299	3,146	13,154	160	2,989

¹Data for 1983 are preliminary ²Pulses may include dry beans, broad beans, lentils, chickpeas, cowpeas, dry peas, and vetch

— = None, negligible, or not identified in ERS data base

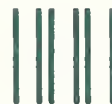
Table 7.— The Middle East and North Africa: Indices of agricultural and food production, total and per capita, by country, 1979-83

Country	1979	1980	1981	1982	1983	1979	1980	1981	1982	1983
Total agricultural production					Per capita agricultural production					
(1969-71 = 100)										
North Africa										
Algeria	104	117	114	105	99	79	86	81	72	66
Egypt	117	122	123	126	126	95	96	94	93	91
Libya	205	223	242	257	262	140	144	149	151	146
Morocco	119	121	98	123	109	93	92	72	88	75
Tunisia	152	173	189	172	160	122	135	143	127	116
Total	120	127	123	128	124	95	97	91	92	87
Middle East										
Cyprus	99	114	118	114	115	98	111	114	108	108
Iran	152	137	131	130	133	117	102	94	91	90
Iraq	147	147	129	120	123	109	105	89	80	79
Israel	143	149	145	162	158	112	114	110	121	115
Jordan	88	169	109	150	126	64	121	76	100	82
Lebanon	105	122	97	123	107	93	110	88	112	98
Saudi Arabia	171	180	195	219	252	118	120	125	136	151
Syria	138	219	196	199	194	101	155	134	132	125
Turkey	132	135	139	147	144	104	105	105	109	104
Total	139	142	140	147	147	107	107	102	105	102
Total food production					Per capita food production					
North Africa										
Algeria	103	117	113	104	98	78	86	81	71	65
Egypt	123	127	130	135	138	100	99	99	100	100
Libya	207	226	245	261	266	141	146	151	153	148
Morocco	119	122	98	123	109	92	92	72	88	75
Tunisia	152	173	189	172	159	122	135	144	127	115
Total	123	130	126	132	128	97	100	94	95	90
Middle East										
Cyprus	99	114	118	114	115	98	111	114	108	108
Iran	157	141	134	133	137	121	105	97	93	93
Iraq	149	150	131	123	126	110	107	91	82	81
Israel	139	145	138	156	154	109	111	104	116	112
Jordan	88	169	109	150	126	64	121	76	100	82
Lebanon	110	132	103	133	115	98	118	93	121	105
Saudi Arabia	158	164	177	204	244	109	109	113	127	146
Syria	159	282	248	245	228	117	200	170	163	146
Turkey	133	136	141	149	145	106	105	107	111	105
Total	141	143	142	148	147	109	107	104	105	102

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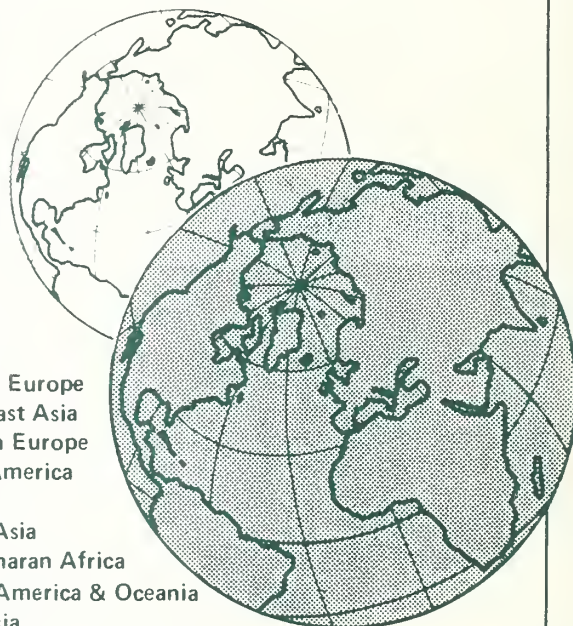
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